

# Nation's Business

A USEFUL LOOK AHEAD

AUGUST 1957



PROFIT  
SQUEEZE  
WILL  
TIGHTEN

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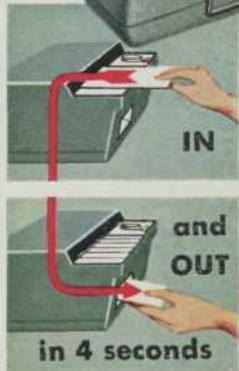
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coordinated teamwork behind the Bell telephone service in communities all over the United States. This teamwork, between the people of Western Electric who make and install Bell telephone equipment and the people of the Bell telephone companies who operate it, didn't just happen. We've been working together now for more than 75 years, all of us guided by a single Bell System objective . . . good, dependable Bell telephone service — and, at reasonable cost.

*Western Electric*



MANUFACTURING AND SUPPLY

UNIT OF THE BELL SYSTEM

# Nation's Business

August 1957 Vol. 45 No. 8

Published by the Chamber of Commerce of the United States  
Washington, D.C.

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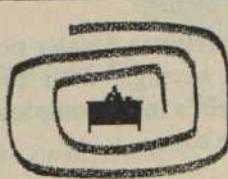
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# management's WASHINGTON LETTER

►LOOK TO NEXT SESSION of Congress for action on many issues of importance to businessmen.

Current session will end soon.

There'll be last-minute swaps, give and take in getting bills passed, maybe some surprises.

But most major issues will be kept alive through session that begins next January.

►HERE'S PREVIEW OF ISSUES sure to make congressional news in months ahead:

Business concentration--Antitrust subcommittee headed by Senator Kefauver will conduct hearings on administered prices, causes of inflation.

No legislation expected.

Monetary policy--Senator Byrd will hold inquiry on monetary policy, machinery of federal government for monetary controls.

Proposals possible next year.

Tax cuts--Pressure to cut will grow next year...election year.

Wage controls--Decision to extend minimum wage coverage to 2, 5 or 10 million persons could come next session.

Welfare funds regulation--Senate racks-ets committee will hold more news-making hearings this fall.

No early congressional action expected.

Many congressmen are waiting for recommendations, which may come in '58.

For outlook on what Congress will do in 1958 see page 32.

►CONGRESS WILL PROBE DEEPLY INTO federal spending this fall.

Fiscal policy subcommittee will seek guidelines to govern future spending policies to assure economic growth.

Study's intended to lead to better control of federal spending, better definition of government role in kinds of services.

Investigation could help clear road for future tax reduction.

►WATCH 2 TAFT-HARTLEY ISSUES in Supreme Court next year.

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1. Strike vote:

Question is--May employer insist that union agree to poll employes, get approval, before striking?

NLRB says no, says it interferes with union's right to decide how it will call strike.

Courts reversed decision.

Supreme Court is expected to rule on question next year.

---

2. Hot cargo:

Question is--May unions get around secondary boycott restrictions by getting employers to go along with union boycott tactics?

Issue is confused.

Secondary boycotts are unlawful.

But some unions try to get around law by getting agreement with employers that they may engage in tactics which otherwise would be unlawful.

Some courts have ruled approval, others disapproval.

Issue's now before Supreme Court.

---

Details on how Taft-Hartley is working after 10 years, pages 38 and 52.

►BUSINESS OUTLOOK BY INDUSTRY experts:

Steel--Production will continue at 80 to 85 per cent of capacity for coming months.

Credit--Long-term rates will only go down if short-term rates become materially softer.

Construction--Outlook better, year will end 3 or 4 per cent above last year.

Railroads--Carloadings will pick up in final quarter.

Department stores--Sales will improve moderately in months ahead.

Farm equipment--Sales expected to exceed last year's volume.

Appliances--Volume probably will end year as good or better than 1956.

►DESPITE SOME EASING in worker demand August will set new employment record.

That's view of Labor Department work force specialists.

Total number of Americans working will hit record high this month.

Expected figure:

67.5 million.

Unemployed, at same time, will number about 3 million.

Demand for engineers, scientists, others in chronically scarce manpower categories has eased up some. But

long-range demand is still great.

Note: Areas with major labor surpluses are fewer in number now than year ago.

Total--in latest count--is 21.

Year ago it was 23.

#### ►WASHINGTON TRENDS:

U. S. Labor Department is launching new survey of industry's research, development programs.

Study will provide data on research personnel, spending by industries.

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Federal Trade Commission:

Survey of wonder drugs manufacturers is expected in September.

Study will reveal information on production, sales, investment in plant, equipment during 6 year period.

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Capitol Hill:

Joint Congressional Committee on Non-essential Federal Expenditures finds:

Federal government has paid about \$80.5 billion to states, territories in past 23 years.

Involved: 175 federal programs.

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Atomic Energy Commission:

Declassified technical reports on nuclear research are now available to industry.

Total of 1,063 reports (out of about 20,000) have been cleared.

Reports concern biology, medicine, chemistry, controlled thermonuclear processes, isotope separation, metallurgy and ceramics, radiation, radioactive waste, other subjects.

Ask for Nuclear Science Abstracts, 25 cents a copy from Government Printing Office in Washington.

#### ►WILL U. S. CURB OIL IMPORTS?

Government's wrestling with this issue.

Insiders say:

Question's not whether to curb imports but how.

Administration's trying to get voluntary agreements to hold back imports--especially Middle East oil.

Import quotas, tariffs high enough to be effective, experts say, would cause new problems, probably wouldn't work either.

►WESTERN EXPERTS ARE WATCHING Soviet oil developments with great interest.

Here's why:

Russians recently have hit rich new fields, particularly in Uzbekistan, east of Caspian Sea.

Figures illustrate rapid growth of Red oil output:

1955--537 million barrels.

1956--610 million barrels.

1957--704 million barrels expected.

Soviets claim they've found 89 new petroleum pools in past 4 years, 40 new gas deposits.

Red production is growing so fast it exceeds USSR's capacity to consume it.

That accounts in part for Russian exports of petroleum products (43 million barrels last year) to Finland, Scandinavian countries, others.

#### ►HERE'S BACKGROUND ON U. S. oil:

Crude oil production's running about 7 million barrels a day.

That's slightly above last year's average, also higher than 1955.

Production totals:

1955--2.5 billion barrels.

1956--2.6 billion barrels.

1957--little higher than last year.

U. S. is major producing country but share is declining.

In 1925 U. S. crude output was 71 per cent of world figure.

Now it's about 45 per cent.

Largest foreign sources:

Venezuela, Iran, Iraq, Kuwait, Saudi Arabia. Middle East reserves are estimated at three fourths of total world supply.

#### ►U. S. TREASURY DENIES CRISIS ahead for federal debt managers.

But officials admit debt problem is growing.

NATION'S BUSINESS checked Treasury for background:

Average maturity of federal debt was 46 months in 1952.

Now it's 43 months, decline from 55 months 2 years ago.

Meaning:

Sum equal to entire federal debt has to be refinanced every 43 months--during period when interest rates are climbing.

Debt's average interest now is 2.75 per cent. Compares with 2.55 rate year

# management's WASHINGTON LETTER

ago, 2.35 per cent 5 years ago.

Budget Bureau's estimate that debt interest would total about \$7.4 billion during fiscal 1958 now too small, Treasury officials admit.

How much too small?

Don't know.

Refinancing during fall should indicate what's ahead.

Federal debt cost about \$7.3 billion for interest last year.

►KREMLIN HEAD-ROLLING was forecast in NATION'S BUSINESS as long ago as March, 1955.

Article was "What Russia Will Do Next."

Magazine revealed key findings of massive study of Soviet power, weaknesses made by Harvard Russian Research Center for Air Force.

Points which emerged from 4-year study are worth re-examining now.

Study predicted:

1. No basic change in Russian set-up, although periodic changes in top leadership can be expected.

2. Continuation of cold war likely at least until 1960.

3. All-out war unlikely.

4. Industrial productivity of U.S.S.R. to be heightened.

5. Expansive activities to be centered in Asia, colonial areas.

6. Revolution in Soviet Union unlikely.

Two extreme possibilities were discarded:

Breakdown of Russian system or continuation of system without change.

Check with Soviet experts in Washington indicates findings are still best look-ahead summary of what to expect from Kremlin.

►YOU CAN LOOK FOR more talk about retirement problems in industry in coming months.

That's indicated by increasing research into problems of older workers by business, government agencies and universities.

Inquiry is on several fronts--best retirement age, post-retirement activities, retirement programs, pensions, worker attitudes toward retirement.

Here are some findings already in:

Attitudes--University of Michigan research indicates 4 out of 5 employed American men would want to keep on working even if they didn't have to.

In addition, more than two thirds of nation's farmers and more than three fifths of those in middle class jobs would stay in their present work.

Post-retirement--Gardening is most satisfying activity, Cornell University research shows.

Bell & Howell study shows pre-retirement conditioning clinics work wonders in helping older workers adjust to retirement.

►INDUSTRY PROGRESS: First American-made prop-jet commercial air transport will be delivered by year's end.

Mackey Airlines in Florida expects to get first Fairchild F-27.

Fairchild has about 80 on order, expects to be producing about 10 a month sometime next year.

Plane's on order by 13 airlines, dozen corporations.

Craft will carry 40 passengers.

Note: Continental Can Company is expected to be first company to get pure jet executive transport.

Fairchild's 10-place 4-jet M-185 probably will be delivered in 1960.

Speed: 550 mph.

►RISING TREND: Management efforts to interpret employees' stake in spending, economics, politics.

Goodyear's doing it in 9 simple messages. For sample write L. E. Judd, Goodyear, Akron 16, Ohio.

►LOOK FOR: Air conditioner sales to exceed last year's volume by about 25 per cent. Survey shows industry will sell about 2 million units this year....

U. S. production capacity to undergo complete face-lifting by early 1970's. E. M. Boerke, head, Society of Industrial Realtors, says, "Thousands of new processes, new machinery, products are being developed--opportunities are unlimited as compared to few years ago"....

Tire sales to remain good throughout coming year. Industry expects about 55 million replacement tire sales--couple million higher than last year, about 5 million higher than 1955.



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# Letters from businessmen

## Reprint list

I have been greatly interested in the informative and helpful type of articles which have been appearing in NATION'S BUSINESS. I am referring particularly to those which apply to the manager in business today. I am wondering if you have a list of reprints of these articles as they have appeared in your publication over the past year or so. If it is possible to obtain a single reprint of such articles as "How Managers Are Made," "You Can Grow Your Own Executives," and others of similar character, I would certainly appreciate having them.

J. E. BORENDAME,  
Director of Marketing Services,  
Acme Steel Company,  
Chicago, Ill.

►Reprint list available from Nation's Business, 1615 H Street N.W., Washington 6, D.C.

## Answer to test question

I have just finished the very interesting article on listening in the July issue ("Listening Is a 10-part Skill"). On page 58 you mention the Brown-Carlsen Listening Comprehension Test published by the World Book Company.

We would appreciate your letting us know whom to contact or where we might obtain a copy of this test.

O. F. BLATTNER,  
General Manager,  
Avon Products, Inc.  
Kansas City, Mo.

►World Book Company, 313 Park Hill Avenue, Yonkers 5, N.Y.

## Copy for training

At present the Executive Development Department of International Business Machines is developing a collection of materials to be used in connection with its new executive development course. We find that our one copy of NATION'S BUSINESS is not adequate for our needs. Please send a second copy of NATION'S BUSINESS to us.

J. D. CANNING,  
International Business Machines Corp.  
New York, N.Y.

## For reproduction

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We are trying to instill a professional attitude which we believe is essential for optimum growth.

Recognizing that successful leaders typically are well versed in their respective fields, we are incorporating into our training programs provisions for significant parallel reading. We select articles from publications such as yours and make them available to personnel enrolled in supervisory and management training.

If you could grant us permission to reproduce your article "6 Steps to Executive Success," we should greatly appreciate it.

R. H. HUDSON,  
Lockheed Aircraft Corporation,  
Marietta, Ga.

## Results story

May we take this opportunity to commend you on the quality of two articles; "Your Meetings Can Get Results," and "How to Simplify a Problem." Many of your articles are more pertinent to large business, but these are very valuable to companies of every size.

CARL RODGERS,  
Office Manager,  
Terry Automotive Supply,  
Dallas, Tex.

I have just finished reading the very fine article "Your Meetings Can Get Results." We should greatly appreciate your permission to reproduce the check list which appears at the end of this article, on page 104.

CARL G. THURSTON,  
Resident Manager,  
Hotel Statler,  
Buffalo, N.Y.

Please send me a copy of "Your Meetings Can Get Results." The logic and perception in this article is the best I have ever seen.

B. HALVERSON,  
LaSalle Extension University,  
Chicago, Ill.

## No part of guile

Three articles fit my idea of what a constructive article should do. They are "Your Meetings Can Get Results," "How To Simplify a Problem," and "Where Management Development Belongs." Although they offer some very constructive suggestions, and one of them pointed out they are not especially new, they also did the most important thing, they pointed out how badly we can go astray in trying to use some simple formula or system. As Professor Johnson pointed out: "We know



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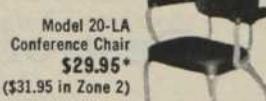
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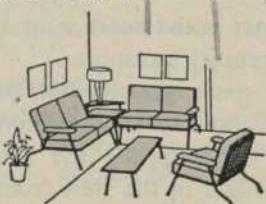
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Zone 2: Texas and 11 western states

that leadership is not a set of manipulative activities that one pulls on and off at will. It is rather a type of behavior—a consistent way of acting in a responsible position. It has no part of guile." I do not believe that I have ever read a more important statement in a magazine than this, or better put.

F. S. THOMPSON,  
Rocky River, Ohio

## Sparkler

That interview with Dean Courtney C. Brown really sparkled! (July issue). I think the article is a marvel of clarity and conciseness.

L. E. JUDD

Director of Public Relations  
The Goodyear Tire & Rubber Company  
Akron, Ohio

## Benefit to supervisors

Enclosed please find check to cover costs of 15 reprints of "How to Say What You Mean" [May issue]. I enjoyed very much reading this and I know that each person in a supervisory capacity will derive benefit from reading it.

MURRAY D. STUDLEY,  
Manager,  
General Box Distributors,  
Oakland, Calif.

## Splendid stimulus

During a recent visit to the American Cyanamid Company, one of my employes was given a reprint of "How to Encourage Ideas" from the March NATION'S BUSINESS. I was very much impressed with this article and would like your permission to reproduce and distribute it to the various units throughout this command. I am responsible for administering our military suggestion program and believe copies of your article would provide a splendid stimulus to the personnel participating in this program.

C. M. MCGILLIVRAY, Major, USAF,  
Director, Manpower and Organization  
USAF Security Service  
San Antonio, Tex.

►Permission granted.

## Next year's debate

Doubtless you will be interested to learn that the problem chosen for discussion and debate in the nation's schools next year has been announced as "What Should Be The Nature of United States Foreign Aid?" I am now engaged in editing Volume Two of our forthcoming two-volume series entitled "Foreign Aid: The Thirty-First Discussion and Debate Manual." I wish your permission to reprint "What to Expect From Foreign Aid" which is in NATION'S BUSINESS May issue.

E. A. ROGGE,  
National University Extension  
Association,  
University of Missouri,  
Columbia, Mo.

►Permission granted.

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THIS ISSUE

# New lobby bill could trap businessmen

Conventional legislative practices of business would be hit hard by features of proposed law

A NEW CONGRESSIONAL proposal could make any businessman in America an unwitting defendant in a federal civil or criminal prosecution.

Because of the sweeping and inclusive nature of the proposed law, any businessman and any of his employes could unwittingly violate some or all of the bill's provisions.

The proposal—Senate bill 2191—would be known as the Legislative Activities Disclosure Act.

It would amend the lobbying provisions of the Legislative Reorganization Act of 1946, regulating direct as well as indirect efforts to influence legislation.

The bill would:

- Compel many more persons to register and report on lobbying activities, including many activities not now covered.
- Establish dollar receipts and expenditures as yardsticks for determining who would come under the law. Existing law requires registration of those whose principal purpose is lobbying.
- Name the Comptroller General of the United States as administrator of the law, with power to initiate action against alleged violators.
- Cover efforts to influence legislation through executive departments and other government agencies as acts of lobbying.

The law would apply to individuals, partnerships, committees, associations, corporations, and any other organization or group of persons.

Violations by individuals under certain circumstances would involve criminal penalties. Organizations would be subject to civil action.

The test of its applicability is

whether you intend to influence legislation. You need not be explicit in your intent. It isn't necessary, for example, to use the words "write your congressman" in urging others to explain their views to Congress.

The measure was introduced by members of a special Senate committee headed by Sen. John L. McClellan of Arkansas. Sen. Styles Bridges of New Hampshire is vice chairman.

Other members are: Senators Albert Gore of Tennessee, Clinton P. Anderson of New Mexico, John F. Kennedy of Massachusetts, Edward J. Thye of Minnesota, William A. Purtell of Connecticut, and Barry Goldwater of Arizona.

The committee was formed to "investigate political activities, lobbying, and campaign contributions."

Although you would not be prevented from attempting to influence legislation, the bill specifies that, under certain circumstances, if you do so you must keep records and make regular and detailed reports about your operations.

Those who don't follow the reporting and record-keeping provisions could be prosecuted.

The penalty for failure to keep and file proper reports could mean a \$10,000 fine and 12 months in jail for so-called legislative agents.

Moreover, if the records or the reports should be found to include false information, or if you are found guilty of spurious communication with Congress, you could be convicted of a felony rather than a misdemeanor and thus become eligible for a \$10,000 fine and five years in jail.

Under other provisions of the proposed law, the government could seek an injunction against you for

failure to file reports concerning certain business operations. Failure to comply could lead to contempt of court citations, together with penalties which each violation would involve.

When the proposal was made public recently, the committee issued a 340 page "Final Report." In it the committee upholds the right of people to petition the government. It says, however, that "the preservation and maintenance of the integrity of the legislative process requires the identification in certain instances of persons and groups who seek to influence the passage or defeat of legislation by appealing to the Congress directly, or by artificial stimulation of the public intended to produce direct communications with the Congress."

The law, this report says, is intended to prohibit "certain pernicious practices."

A primary aim is "merely disclosure in the public interest."

The senators, in their report, said:

"The committee subscribes to the view that publicity is the cure for most evils associated with legislative activities."

The proposed act would require that reporting and record-keeping provisions apply to:

- Legislative agents.
- Their employers, if \$300 or more is spent in any calendar quarter.
- Persons with legislative or non-legislative duties, if they receive \$300 or more in a quarter for their legislative activities. Personal traveling expenses are not included.
- Persons who conduct campaigns urging others to communicate with Congress to influence legislation.
- Persons who conduct large campaigns involving \$50,000 or more annually, which implicitly urge others to get in touch with Congress in order to influence legislation.

A citizen employed to influence legislation by direct communication with Congress would have to give 30 days' advance notice to the Comptroller General. These legislative agents, as well as other persons and organizations having legislative interests, also would have to file regular reports each January, April and July, detailing activities, including money received and spent.

Report of termination of such activities also would be required.

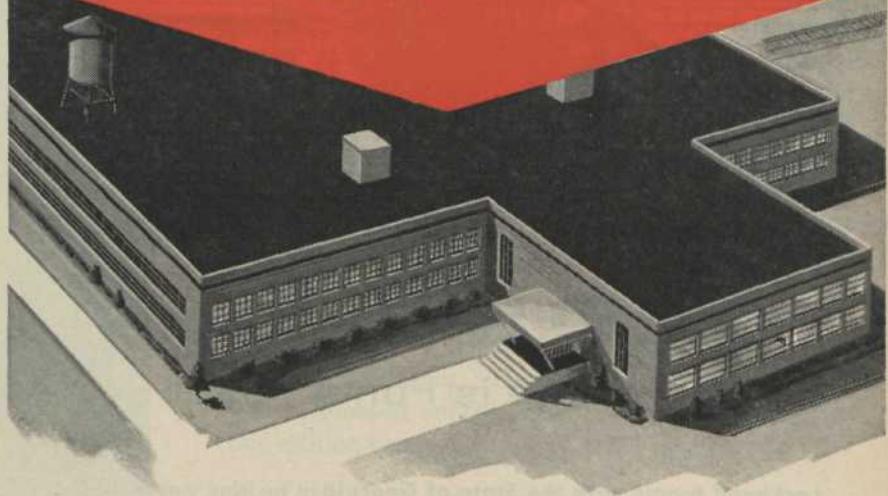
The law would apply to any person employed as a lobbyist, either full time or part time.

But it also would apply to many more persons for a broader range of activities than is customarily thought of with lobbying.

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books, pamphlets, or data by research groups is excluded from coverage. But those who would use such publications in an effort to influence legislation would be subject to the law.

Those persons would be covered who conduct campaigns to urge others to take part in the legislative process by informing congressmen of their views. Whether such appeals are explicit or implicit would not matter.

The proposal, in its original form, stipulated that persons or organizations conducting such activities would be subject to the law provided they spent as much as \$50,000 in a 12-month period.

The committee has been urged, however, to revise this to \$5,000 or more in any one month.

This would bring into the act many more persons and organizations, some of which may be set up for specific purposes then disbanded in less than a year.

Businessmen, farmers, officers or employees of business firms would be involved with the law if they received or spent \$300 or more in a calendar quarter for the purpose of influencing legislation.

The law would also cover campaigns through newspapers, magazines, television or radio containing either explicit or implicit "appeals to the public to contact Congress to influence legislation."

Writing and the publication of an article such as this would be exempted. But any person who bought reprints and distributed them for the purpose of influencing legislation would be subject to the provisions of the law.

Significantly, the presentation of factual material for enlightenment would be no adequate defense under this law.

On this, the committee says:

" . . . The failure to include pertinent factual material which would permit the reader or listener to reach independent and informed conclusion . . . is an indication of an intent to accomplish some purpose other than education.

"Similarly, the presentation of but one side of an issue which is the subject of legislation is an indication of a desire to influence rather than to educate, even if the presentation is strictly factual."

On Capitol Hill, the expectation is that action by the Senate is more probable than by the House of Representatives. The House, of course, would take the matter up when Congress comes back next January. A House bill has been introduced and hearings may be announced soon.

END



FRED J. MAROON

## THE STATE OF THE NATION

BY FELIX MORLEY

### Hydrogen bomb dramatizes British economic gamble

LONDON—Seldom in peacetime has any government staked the national future on a throw of the dice to the extent that, in effect, Prime Minister Harold Macmillan and his colleagues are doing.

Under their leadership, Great Britain is attempting to leap, almost overnight, from reliance on coal to reliance on nuclear energy in industrial development, to some extent by-passing that era of oil and natural gas which has been usual elsewhere.

The outcome at Suez is not entirely responsible for this radical endeavor on the part of a nominally conservative government. But the condition of uncertainty that now affects this vital supply line is an important element. Moreover, what was lost by

Britain at Suez, in prestige and influence, could in time be triumphantly regained—if the nuclear energy gamble pays off.

This hope also helps to explain why the Macmillan government, in spite of serious misgivings at home and strong protests from abroad, has remained determined to carry through the series of nuclear tests initiated by the first explosion of a British hydrogen bomb, in the remote Pacific, May 15. There is more behind these tests than a dramatic demonstration that Britain, possessing this awful weapon, is still to be regarded as a military power of the first rank. That much has been emphasized by the prime minister, who told the House of Commons that Britain is "in a much better bargaining position" after an explosion which released energy equivalent to that latent in one million or more tons of TNT.

• • •

What has not been emphasized is the domestic implications of the British H-bomb tests. By demonstrating that British science and engineering have the know-how, these experiments are expected to brace the taxpayers for the staggering cost of the government's effort to produce nuclear energy as a commercial fuel in the near future. It was no mere coincidence that the announcement of the H-bomb explosion was immediately followed by the statement that Calder Hall, in northern England, "is the only nuclear power station in the world producing electricity on an industrial scale."

The British are not a boastful people. And Prime Minister Macmillan's government is carefully not asserting that his country's serious economic difficulties are going to be solved by nuclear power. But here and there, in official speeches and publications, the expectation—or at least the hope—breaks through.

For instance, there is the recent, much-discussed report on British Defense Policy, which frankly says the country can no longer afford the cost of compulsory military service and will disarm the more speedily because "there is at present no means of providing adequate protection . . . against the consequences of an attack with nuclear weapons." This white paper explains that men, money and materials saved by reduction of conventional military strength "must be absorbed into productive use as quickly as possible" and then gives

## State of the nation

this interesting illustration: "Increased emphasis will be placed on the development of nuclear propulsion for maritime purposes, which has great civil as well as naval importance."

Britain proposes, in other words, to replace conventional power with nuclear power not only in military defense, but also in every possible compartment of industrial life. By 1965, if the plans of the Central Electricity Authority work out, one quarter of all the electricity generated in Great Britain will come from nuclear sources. And 15 years from now the proportion of power thus produced is expected to be more than one half of the total supply. It is an inspiring conception, but much easier to place on paper than it will be to realize in fact. The magnitude of the governmental ambition, however, must be measured against the dimensions of the British industrial problem.

That is big enough to account for the anxiety that one finds everywhere just beneath the surface in England today.

This little island, with upwards of 50 million people crammed into its narrow confines, has no large rivers to supply water power and is completely devoid of oil and natural gas. Its depleted coal reserves are becoming more and more inaccessible, and therefore costly to extract. As a result the English are now actually carrying coals to Newcastle—an expression which not so long since was used to denote absurdity—in large quantities. Great Britain imported 5.5 million tons of this fuel, mostly from the United States, last year. For 1957 this import figure will probably be greater.

The cost of this imported coal is not merely a heavy drain on Britain's slim reserve of dollars. It also means diversion of hard money needed to purchase the food that Britain cannot raise, and to buy the other raw materials necessary for the manufactures that Britain must export in order to keep going at all. The apparent internal prosperity of the country is discounted by most of its business leaders as promoted by inflation. Certainly, as the weakness of the pound sterling alone suggests, it has become a continuous struggle to maintain the high export level without which the future of this overcrowded island would be that of a strictly rationed poorhouse.

The calamity of Suez did not create, but has unquestionably further shaken, Britain's unstable economic position. Over a period of months it raised production costs for everything in which the utilization of fuel oil is an element. And higher freight rates around Africa further pushed up the price of British exports to the Middle and Far East, thereby losing established markets to other

competitive producers, especially Japan. The damage done to the export trade, and therefore to the British economy as a whole, has been not only substantial but also to a sizable extent permanent. Worse even than the actual damage is an outcome which seems to make the Suez supply line insecure and therefore places a guillotine blade above the nation's industrial neck.

It is as a result of this overshadowing threat that the Macmillan government has so sharply stepped up the program for the development of nuclear energy to a feverish level of activity not paralleled in any other country. Such figures as are available indicate that the expense, by British standards, will be tremendous. The nuclear power plants already designed and approved will alone cost at least \$2.5 billion, figured at a price level which present inflationary tendencies will increase. That figure is more than three times the annual savings anticipated from all the current economies in British military expenditure. With government bonds unmarketable at an interest rate of less than five per cent, nobody seems to know how the capital requirements of the nuclear power program are going to be met.

• • •

Further uncertainty arises from the present experimental status of reactor development. Out of anxiety to move quickly, the British are placing complete faith in their own gas-cooled Calder Hall type. Its capital cost is higher than the water-cooled type used to power our new atomic submarines, but British opinion is that this will be offset by lower operating costs. The three wise men of the Euratom organization (Armand of France, Etzel of Germany and Geordani of Italy) estimate that the cost of electricity produced by both types of nuclear reactor will work out at from 1.1 to 1.4 cents a kilowatt hour. Only the British specialists seem to be confident that the Calder Hall reactors will produce commercial electricity as cheaply as that generated by conventional fuels.

Nevertheless, the Macmillan government has decided to make the gamble on atomic energy and is prepared to scrape the bottom of a Treasury barrel already nearly empty in order to finance its bet. If this pays off, Great Britain may well regain the economic security which it so manifestly lacks at present. If the venture turns sour, the least that can be concluded is that the British position in world affairs will slide from poor to worse.

It was partly to make the bet look hopeful that the British hydrogen bomb tests have been so insistently supported by Prime Minister Macmillan and his associates. These have dramatized the national accomplishment in the development of nuclear power as a weapon. Thereby it is strongly suggested that Britain can with equal facility harness this incalculable force for the salvation of its flagging economy.



## Petroleum Research *in an orange grove*

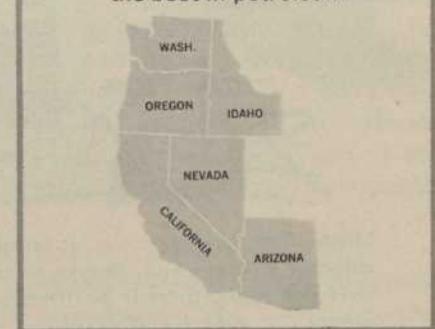
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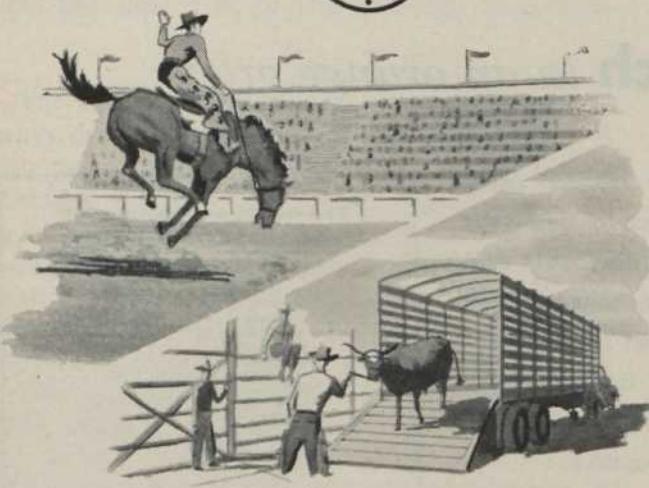
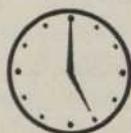
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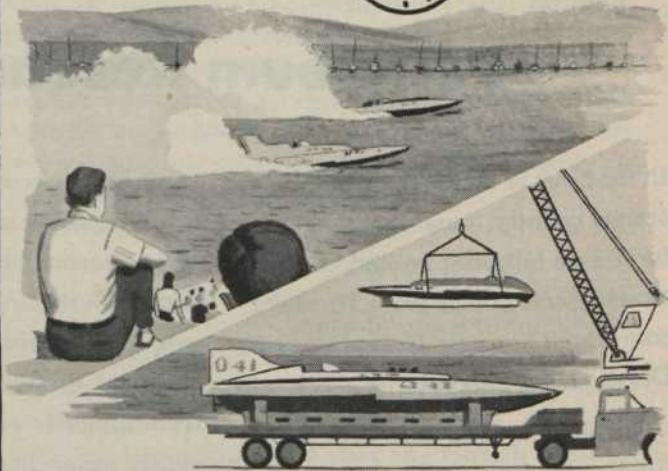
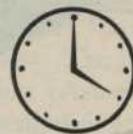
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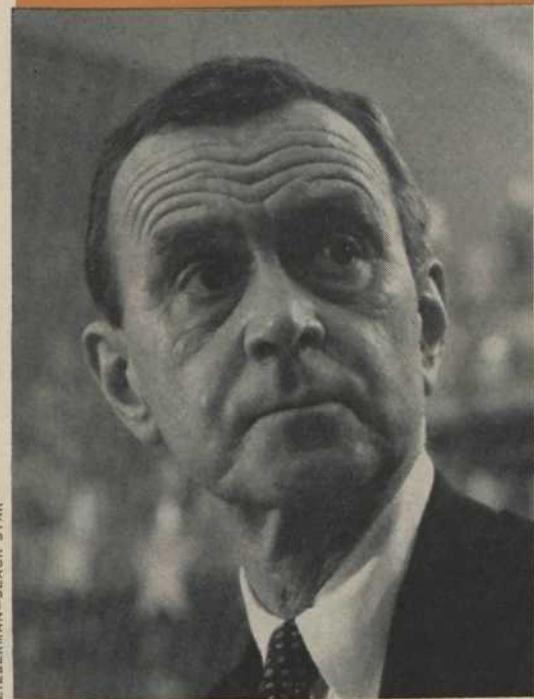


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# Trends of Nation's Business



LIEBERMAN-BLACK STAR

## WASHINGTON MOOD

BY EDWARD T. FOLLIARD

### President's strategy keeps program alive despite differences within party

THE FAMILY QUARREL among Republicans is out in the open again, after years of talk about harmony and teamwork.

That is one of the significant developments of the first session of the Eighty-fifth Congress, now headed toward adjournment. What it will mean in the political wars ahead, and in the make-up of the United States Government, is for the future to tell. It is enough to say now that the Washington picture is back to normal, with both great parties showing their fractures.

The past six months have brought more Republican criticism of President Eisenhower than was recorded in the whole four years of his first term.

He has been attacked as a New Dealer, and his Modern Republicanism has been denounced as a betrayal of the party's traditional stand against big government and reckless spending. The outcry has died down considerably since the President began his series of White House breakfasts for the Republican lawmakers, but the factionalism is still there.

The schism in the Grand Old Party is, of course, an old one, and nobody should be surprised that it has been uncovered. Yet many Republicans are surprised. They are also distressed.

In this respect, the Republicans differ sharply from the Democrats. Feuding in the Democratic Party is older and louder; indeed, it is chronic. However, the disciples of Jefferson and Jackson not only accept it, they joke about it.

Thus, it is a common occurrence for one of them to get up at a rally and repeat Will Rogers' famous crack: "I don't belong to any organized party—I'm a Democrat." When Republicans taunt them about their quarreling, the Democrats recall Abraham Lincoln's remark that a yowling, back-alley disturbance among cats usually means more cats.

Why controversy upsets Republicans more than it upsets Democrats lies in the field of psychology. However, there is no question about the difference; one has only to go to their national conventions to see it. The Republican delegates are for the most part sedate and restrained, eager for unity. The Democrats are rambunctious, full of the katzenjammer spirit. Of course they like to wind up on a note of harmony, but they prefer to achieve it through a good floor fight.

Still, the Republicans have had some momentous battles within the party. The Democrats can't match their struggle of 1912, when the party split behind William Howard Taft and Theodore Roosevelt, and threw the election to Woodrow Wilson.

The conservative-progressive division of 1912 continues in the G.O.P. to this day. It was dramatically underscored in 1952, when General Eisenhower and the late Sen. Robert A. Taft fought it out for the presidential nomination. Two things served to cover up the cleavage after the '52 convention—the truce of Morningside Heights between General Eisenhower and Senator Taft, and Mr. Taft's notable effort at cooperation after General Eisenhower moved into the White House. However, the cleavage was still there, and it was only a question of time before it would be exposed.

That the veil has been removed in this session of Congress has been due to the Twenty-second Amendment to the Constitution, which forbids a third-term race by President Eisenhower, and to the fact that he asked for the largest peacetime budget in history.

The Democrats, plagued by factionalism themselves, have been delighted by the uproar in the

# Washington mood

rival party. The latest issue of the *Democratic Digest* carries a joyous account of how Sen. William F. Knowland was introduced at a rally in Indiana as "a member of the Republican faction of the Republican Party."

The *Democratic Digest* also carries an anthology of Republican attacks on the President. This shows that the critics, in teeing off on him, have usually gone back to a remark he made on the night of Nov. 6 after his second-term landslide: "Modern Republicanism has now proved itself, and America has approved modern Republicanism."

Here are typical assaults by conservative Republicans:

Rep. A. L. Miller of Nebraska: "I would define a 'modern Republican' as a free-wheeling free spender who has surrendered his constructive conservatism to ride the current New Deal bandwagon."

Rep. Noah Mason of Illinois: "Ike's new Republicanism is a form of bribery, a program to buy votes with the voters' own money."

Sen. Barry Goldwater of Arizona: A "strange and mysterious force seems to have descended upon the Republicans, for something has happened to change the mind of the Administration since 1952 when it campaigned across the length and breadth of this land for economy, balanced budgets, and curtailment of waste and extravagance in government."

The criticism by Republicans has infuriated some of President Eisenhower's intimates. Sherman Adams, his chief of staff, denounced this "persistent and carping opposition." He insisted that the President was simply carrying out the 1956 party platform, and warned that repudiation of this platform will "end in nothing but political suicide."

Others of the same mind have noted that the Republican Party needs President Eisenhower far more than he needs it. Also, they have reminded the critics that it was he who brought the party back into power after 20 years of political exile. Would anybody blame him, they ask, if he reacted to the criticism by deciding to stay on the sidelines in the political warfare ahead?

The fact is, though, that the soldier-statesman shows no signs of letting the criticism get him down, or of abandoning his drive to "modernize" the party. Hating controversy as he does, he has been trying to achieve his ends by conciliation. Hence the White House breakfasts for Republican members of Congress, which seems to have persuaded a good many to line up behind his program.

Some Republicans and some Democrats are

profoundly irritated by divisions in their parties. They are people who like things to be neat and orderly, and who are upset by dissension. Accordingly, they dream of a reshuffling of the parties so as to put all conservatives in one and all liberals in another.

This is not likely to happen. Most political scientists seem to think that it would be bad for the country if it ever did happen. Nevertheless, the idea is a hardy one. Recently, a reporter brought it up at one of President Eisenhower's press conferences.

What, he asked, did the President think of the proposal that modern Republicans and liberal Democrats form one party and Southern Democrats and conservative Republicans another?

"I am busy," President Eisenhower replied, a bit impatiently. "I am working hard. I haven't time for such stuff as that."

• • •

He later told a Republican rally that there were bound to be differences of opinion in a national party, differences caused by geography, economics and other things. He said he thought these differences were healthy so long as there was some common ground on which all members of a party could stand.

At the moment, there are only a handful of modern or "Eisenhower Republicans" in the Congress; the conservatives outnumber them by far. However, the reverse is true with respect to the party machinery. Gradually over the past five years the Eisenhower people have been taking over from the Taft people in the Republican National Committee. The same has been true in the Republican state committees.

This means that President Eisenhower, despite the fact that this is his last term, will have great, perhaps decisive, power in the next Republican national convention. That event still is a long way off. Already, however, the politically minded here are speculating on whether he will use his power, and if so, how.

Will he throw his prestige behind Vice President Richard M. Nixon to get him the presidential nomination? The prevailing view here is that he will not, but will instead get up a list of men who are acceptable to him—a list that surely would include Mr. Nixon's name if he feels about the Californian then as he feels about him now.

Meantime, Mr. Nixon is far ahead in various polls on Republican presidential possibilities for 1960. Sen. John F. Kennedy of Massachusetts is on top in polls on Democratic possibilities. This is an extraordinary situation, considering their ages. Mr. Nixon is 44, Mr. Kennedy 40.

Still, neither would be the youngest President should he win three years hence. Theodore Roosevelt was only 42 when he took over from McKinley in 1901.



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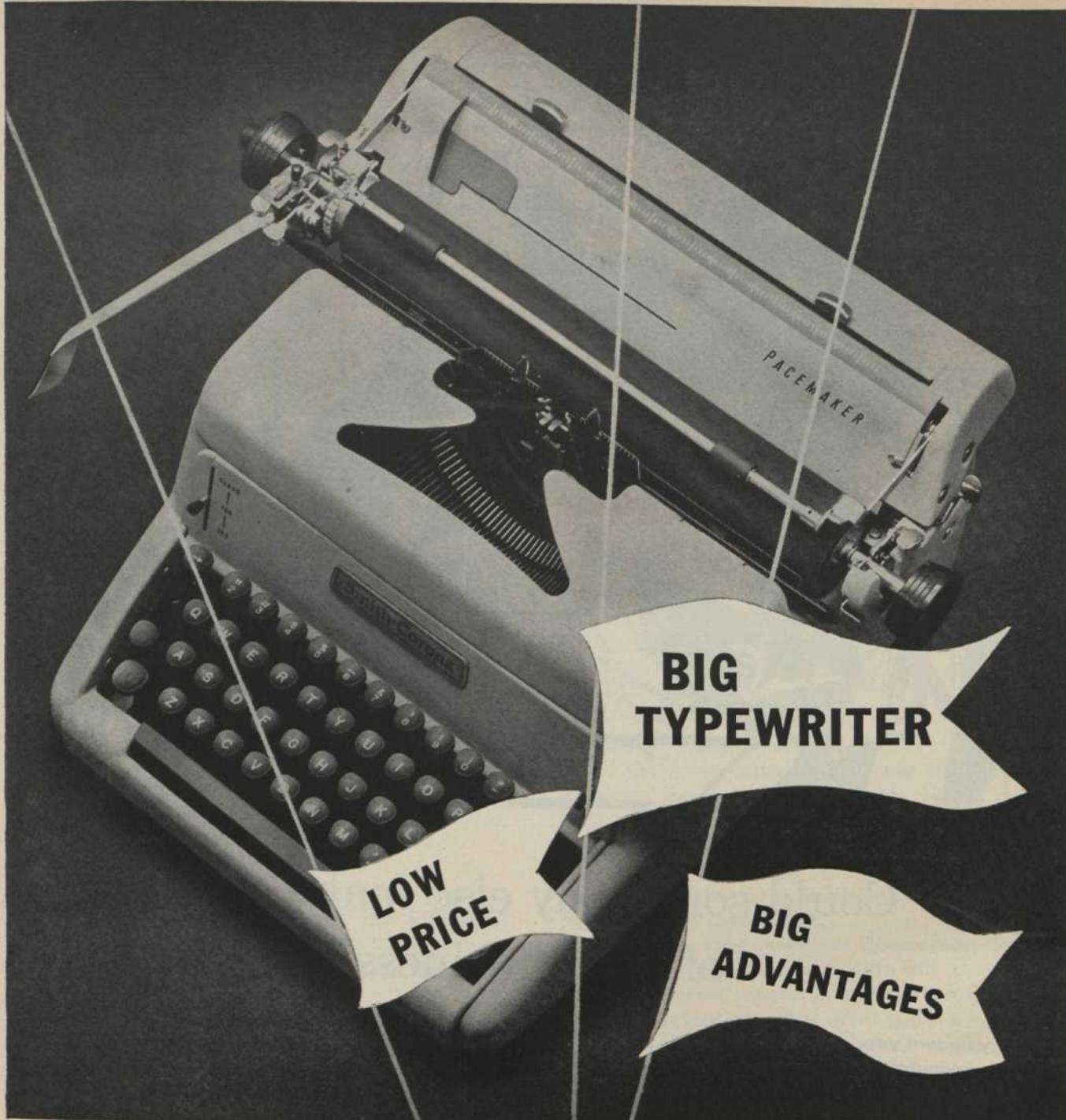


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# NEW BALANCE PROMISES GREATER PROSPERITY

Two developments guide the strategy for building up your markets of tomorrow

THE UNITED STATES has broken through an economic barrier which has threatened business progress ever since development of the first productive machines brought the first beginnings of capitalism.

We have succeeded in gearing consumption to production as effectively as it was in the hunting and agricultural economies of centuries ago.

This is becoming more generally recognized by economists as well as by businessmen.

The change is so fundamental and has come about so recently that it is apropos to consider:

- What brought it about?
- How does it affect selling?
- How does it affect manufacturing?
- How does it affect merchandising?
- How does it affect the future?

In the early stages of economic progress, most employment was directly related to consumption—consumer production of food on the land, consumer production of cloth, largely on the land, and so on. The economy was largely a hand-to-mouth operation. Most people lived directly by using the consumption goods they produced—not through the exchange of what they produced, but could not consume, for goods others produced.

As machinery and mechanical power entered the equation, productivity of equipment rose. Unless the output of the increasingly effective capital was

matched by increased consumption, the system and the machinery halted; unemployment became general.

Karl Marx and his associate Friedrich Engels argued that consumption could not be made to match building of new equipment. In their view, whenever the existing supply of capital goods was greatly increased, production would exceed consumption and plants would be closed down until demand again matched supply. That is, cyclical overproduction was inevitable and would be cured only by cyclical unemployment.

Marx and Engels were shrewd observers of what had occurred and was occurring in their day. But they failed to see the difference between an economy in which industrial production was but a small part of total production and consumption and which produced a very limited number of goods, and an economy in which industrial production, along with distribution and services, represents more than 90 per cent of all activity.

In our people's capitalism, nonagricultural consumption as a whole can rise with production as a whole, as it used to do with agricultural production.

It can of course fail to rise in specific spots—say, autos or refrigerators—at specific times. But such failures are due to saturation of specific demands at current prices, not to generally satiated demands. The problem is solved today by shifting the relative output of end products—by producing more clothes, more vacation trips, more air conditioners—not by serious in-

## Confident consumers' willingness to spend at a steady rate provides steady support for business



## PROSPERITY *continued*

creases in unemployment, as Marx predicted. (Agricultural production is another matter. Farmers have tended to produce what is not needed, and to rely on the government to solve their problem.)

### **What caused the change?**

Two major developments had made possible the adjustment of consumption to production:

*First, the great diversity of our economy.* (See "New Forces Shape Business Future," NATION'S BUSINESS, November 1956.) A century or more ago, when Marx was writing, machines produced only a few important end products. Now no end product represents as much as eight per cent of activity. A cutback of 20 per cent in any product, such as automobiles, could not affect the total by more than 1.5 per cent, and, when any one segment is cut back, other segments are likely to grow. We tend to have continuing rolling adjustments, some with minor dampening effects on the economy as in 1953-54, others with minor inflationary pressures, as in 1956-57. But we no longer need have major gluts in production, followed by major cutbacks, and collapse of consumption.

*Second, the consumer's increasing confidence in his future.* This is a relatively new development. Studies have indicated that as long as Americans are not afraid of the future they tend to spend consistent proportions of their incomes. But if for short periods they get worried about the future, their expenditure patterns may fluctuate appreciably. Such short-range fluctuations can trigger other changes, and help make a major depression or boom out of what otherwise might have been minor adjustments in the economy.

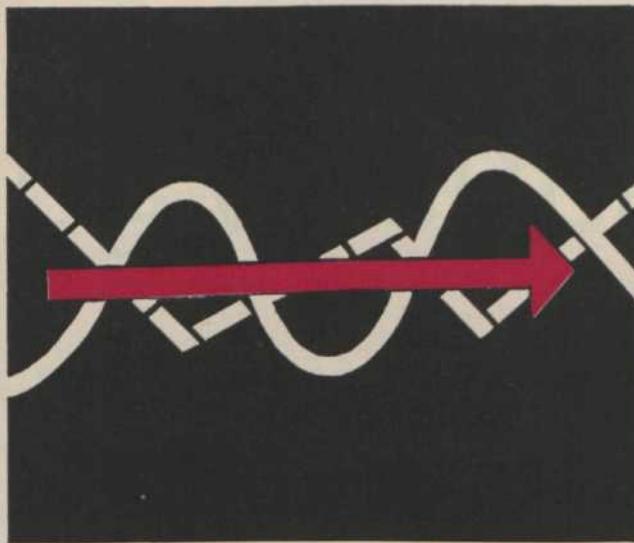
This willingness to spend steadily as long as they have confidence in the future means that roughly 65 per cent of the total economy will not fluctuate greatly

unless strong pressure comes from outside. Segments of this 65 per cent may drop and some may rise, but the total stays high. With governmental expenditures running more than 15 per cent, and farm expenditures supported by the government at about seven per cent of the total, we can have relatively secure supports for 85-90 per cent of our system. Because this 85-90 per cent is so secure, capital outlays—for plant, equipment, housing, inventories—will fluctuate less than formerly, too. The significance of this consumer willingness to spend at a steady rate is such as to warrant examination of its causes. Is this a transitory development, or can we increasingly depend on it?

Survey teams have been exploring these questions for some time. The Survey Research Center at the University of Michigan, which makes studies for the Federal Reserve Board as well as for business and financial firms, has done some of the most interesting research. The conclusions given here rely heavily on its work.

Consumers are increasingly confident about both the long-run and the short-run future. It has been 20 years since the depression of 1937, and 25 years since the severe experience of 1932. Unemployment was heavy during the '30's, but those who kept their jobs had, on the average, higher standards of living in 1939 than in 1929. The older and the younger workers suffered most. Those who were older workers in the '30's are not in the labor force now. The younger workers have had 20 years or more of rising living standards. They have seniority and social security. Those who joined the labor force after 1937 have had up to 20 years of generally high level employment. So increasing percentages of the labor force have little recollection, or fearful memories, of the unemployment during the '30's. Employment is more or less something to expect—not something to worry about.

## Diversified economy can maintain growth even when individual segments have temporary ups and downs



GEORGE LOHN

Even in the last minor recession, for instance, only 20 per cent indicated they expected business to drop badly, and 70 per cent expected to be as well off, or even better off, in the near future. In the recession year 1954, 74 per cent of American consumers felt that their occupational progress was satisfactory; 68 per cent felt that their standard of living rose satisfactorily; 58 per cent considered their income to be what they ought to be getting, and 51 per cent expected a better position and income in a few years. Most younger people experienced a rather steady improvement in their well being. As younger people tend to spend a higher than average percentage of their income for consumers' durables, this fact helped hold up consumption.

This attitude is strengthened by company insurance plans. Strong unions may give many workers an added sense of security. The fact that such a large percentage of workers are in relatively stable industries, or already are receiving pensions, further strengthens the feeling of confidence in their particular future income—and probably by transference, in the general stability of the economy as a whole.

With this general feeling of confidence, the American in general is intent on improving his standard of living. His standard has been rising roughly two per cent a year for many years. He expects the rise to continue. He tends to think in terms of the standards of families with a slightly better income than he has known. He expects to reach that income level soon, and he is going to be ready for it. Secure and optimistic people promptly adjust their consumption to income increases, and may even overadjust temporarily through installment buying rates based on expected higher incomes.

This is quite a different attitude from that which has been common in Europe, and which used to be

common here among the immigrants, and to some extent among second generation Americans.

The European was used to his status. He was born to that status. It was part of his life and he expected to keep it. As a new American it sometimes took him time to adjust to an improvement in his income. His savings might rise faster than his expenditures, if his income rose.

This is of course a broad statement to which there are many qualifications, but, in general, there tended to be a lag between an increase in income and a comparable change in spending habits.

Such a lag could bring a reduction in employment, as Marx and Engels predicted.

### Effect on selling

This change in attitude which leads families to increase their spending as their earnings rise is fundamental. It provides the basis for increases in demands paralleling increases in productivity. It helps keep demand rising with output.

Of course increases in consumption are not confined to the previously available end products and services, with which American families have historically been familiar. American desires for improved standards of living are expressed in purchases of new products and services, as well as in more and better quantities and qualities of old, well established goods.

The more older goods that families have the more receptive they appear to be to new ones. Ownership of one automobile and one radio has increasingly demonstrated the usefulness of two automobiles and of two or more radios per family. The number of families with two cars has been growing at the rate of one million a year. And as the ownership of one or more cars and radios becomes accepted as almost universally (continued on page 84)

# FARM OUTLOOK:

# 5 more plans to go

Proposals outlined here will shape next year's congressional debate on nation's farm problems

NEXT YEAR could become the stormiest in decades for farm politics.

In spite of one bitter fight and much motion by way of hearings and investigations, little was done about a farm program in this session of Congress. One farm leader even remarked that he was at a loss to think of any program that would improve the situation and had come to doubt that Congress could do anything to improve it by legislation.

This will not prevent Congress from trying in the next session. Committees of both the House and Senate aided by organized activity outside are busy on new plans. Furthermore, 1958 is an election year, agriculture is at a turning point, and farm politics are changing.

As a result of these forces, prospects are that at least five new approaches will come before Congress next year.

They are:

- Secretary Benson's proposals
- Multiple pricing
- Compensatory payments
- Alliance of commodity groups
- Self-help programs

To understand these proposals and the reasons for considering them in the face of past experience with farm-help efforts, it is necessary to understand the dilemma in which farm people, the farm business and farm programs find themselves.

With this background, the reasons for the proposals may become clear.

#### **Turning point in agriculture**

The strong technological trends in farming, the breakdown or failure of past and present farm pro-

grams, and the changing politics of agriculture have combined to produce a major dilemma for the policy makers and legislators.

We still carry the scars produced by high price supports on some farm commodities under the notion that such supports would or could balance farm income satisfactorily. Add to this the fact that production controls, acreage allotments and marketing quotas not only haven't controlled, they have fouled up additional commodities not directly involved. On top of this, more farmers are realizing that to the extent the controls have a temporary bite their principle effect is to curtail income-producing opportunities.

We are becoming aware, too, that variable, or flexible, controls, when linked to variable price supports at present statutory levels, contain a sort of built-in guarantee of recurring crisis: high stocks with the need for surplus disposal; then lower supports, followed by lowered stocks; so again higher supports and stimulated output, and then more surplus again.

Surplus disposal contributes its bit to the dilemma. As we get rid of old stocks they are soon replaced by increasing numbers of new ones.

Farm politics is changing, too. Even though the so-called farm bloc was never the solid phalanx it sometimes appeared to be, several forces today are eating away at it.

First, farm population is declining relative to the nation's total population, and in absolute numbers as well. Congressmen and senators speak for fewer and fewer farm people. Amplifying this is the rising urban power in Congress. It is certainly no mere accident that the present House Agriculture Committee has for the first time in history a city member who has not a single farm in his district.

Second, farm legislation and programs have come

to a dead end. Programs have become more and more specific in their objectives and impact. Thus conflicts between commodity interests have become inevitable.

Third, increasing services and costs of processing and distributing farm products have forced changes in the relative returns to farmers as against returns to others in what the consumer pays. The consumer complains about food costs, and by illogical association, blames farm programs. Consequently, legislators are more touchy than they once were about programs which would tend to aggravate the tension. The economy drive and protests over federal expenditures put a bright spotlight on any large program, not excepting costs of federal farm programs.

Meanwhile, farmers themselves have become divided. Some leaders have come to a more realistic appraisal of past and current programs and their consequences. The American Farm Bureau Federation has, under several years of able leadership, insisted upon the free enterprise approach and main reliance on market forces for ultimate solutions to agricultural problems.

The Farmers' Union would toss out free markets as archaic and an unsatisfactory guide to economic adjustment.

Coming between these two organizations is the National Grange which is sometimes aligned with the Farm Bureau. At other times it has seemed nearer the Farmers' Union.

What, then, are the directions that we seem likely to follow from the present turning point? What new plans or approaches will get attention and possible action?

#### **The Secretary and the Administration**

Secretary of Agriculture Benson has already indicated the shape of a proposed change in federal participation in the farm picture. Boiled down, he has suggested more discretionary powers which the Secretary could use on a selective basis, tailored to specific commodity situations. He asks for discretion over the level of price supports and in determining levels of control over output for the basic commodities. He already has similar discretionary power over most commodities.

His basic point is that this is the only way to avoid continuing cycles of crisis in price supports and surplus disposal.

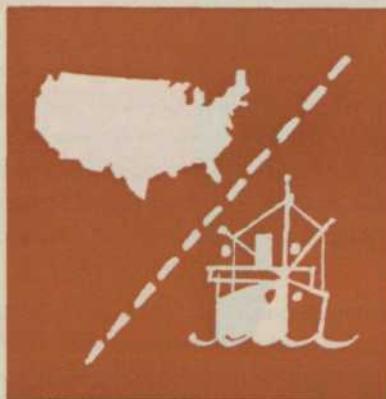
The prospect that such authority will be granted is pretty slim. For one thing, there is extreme reluctance to see administrative power further expanded, which is a matter of principle and precedent, plus apprehension of what future secretaries might do with such power.

In addition, the Secretary has become a popular whipping boy with congressmen from farm sections. As a result, they probably wouldn't give him the powers he asks even if they thought he was right, which they definitely do not.

Probably no Secretary of Agriculture could satisfy all the increasingly diverse farm pressures, but Mr. Benson's practical problem is even more basic because many in his own party contend that the Administration cannot afford politically to keep him in office.

What must be recognized in appraising the Secretary's position is that *(continued on page 58)*

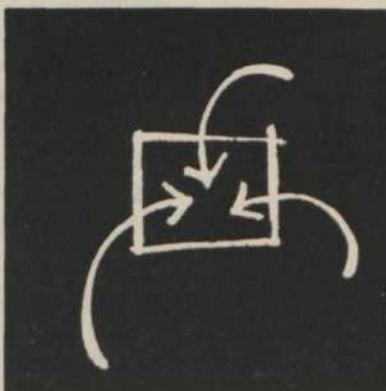
Secretary Benson asks for power to decide on price support and output control levels for basic commodities



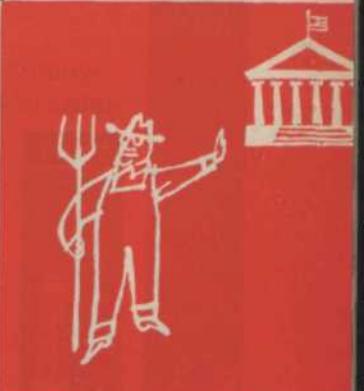
Under multiple pricing, consumer would pay tax to raise farmers' income. Overseas prices would be lower



Direct payment plan would pay out cash to make up difference between market price and parity



New alignment of separate producer groups may pool efforts for separate commodity approach to problem



Self-help plans demand some producer responsibility, but most require federal policing, too, or aid in some form

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# PROFIT SQUEEZE WILL TIGHTEN

Business learns to live with pressures, but misconceptions make profits an easy target for attack

PRESENT METHODS of measuring and reporting business profits have created wide misconceptions and made profits and the profit principle open to easy distortion and attack.

"Profits reach an all-time high" appears as a theme year after year in headlines in newspapers, financial and business magazines and government reports. The statements are facts but the figures are for total profits, or profits per share, without all of the yardsticks essential to true measurement.

It has created many misconceptions, in particular that all types of business have been making high profits; that high profits are a big factor in high prices.

This has led to confusion even among businessmen. Small business people have been led to think that big businesses make more profit than they do; some retailers think that manufacturers make big profits, farmers are inclined to think that all other types of business make more profit than they do.

Recently, new, confusing and sometimes conflicting reports and opinions are in the news. Reports for 1956 and the first quarter of 1957 show widespread instances of declines in dollar profits or profit rates.

The fact that total corporate profits now seem to be holding steady does not lessen the need for awareness of the pressure factors, nor the need for greater understanding of the yardsticks for measuring profit.

The experience of a number of established, representative companies throws some light on the subject.

The facts show that while some types of business are hit harder than others, a real situation of pressure exists, and all types are in the tightening grip of basic pressures upon profits.

The evidence shows, in addition:

1. The decreases in dollar profits, profit rates or both, are the result of long-time pressures upon profits.
2. The squeeze must be lived with for some time.
3. The fact that the squeeze affects successful companies in all types of business shows that it is the result of basic factors over and above industry conditions.
4. In spite of improved methods the share of the sales dollar going into production costs has remained static or even increased despite large

increases in volume. This gives little hope that future production costs will take a smaller share of the sales dollar.

5. The fact that selling costs have recently been taking a larger share of the sales dollar in spite of increasing dollar volume reflects stiffer competition. This is not likely to change.

6. Obscure costs are adding to the squeeze—taxes other than income taxes are rapidly increasing regardless of profit or loss—replacement costs are running ahead of depreciation allowances.

These conclusions are based upon:

► Analysis of operations of several hundreds of companies with detailed records covering the past 20 or more years.

► A comparison of sales and profits of 300 representative companies for 1956 compared with 1955, and the first quarter of 1957 compared with the first quarter of 1956. These companies do not include all types of business, such as utilities and mining. (Varying size is not the reason for variations in industry representation—six tobacco companies are a large share of the industry, six paper companies a small share.) The sample may not, in each case, represent the same percentage of the sales of the industry. These 300 companies do, however, make up a large share of the total volume.



\$653 million  
profit, or  
**10.2 %**  
of sales

If what follows seems to be largely negative, it is necessary for an accurate evaluation of current trends. On the positive side, some companies in every industry have been able to maintain or improve their recent profit positions.

Much of the confusion and difference in opinion about profits are due to the terms used and the manner of reporting business conditions and profits. The most frequently used yardsticks—profits per share, total dollar profits and profits as a per cent of sale—are each incomplete and may well create incorrect impressions.

The amount of money at work to produce a dollar's worth of product varies widely by types of business. For example, an oil company needs a great deal of money at work in wells, pipelines, ships, freight cars, trucks and refineries. Many other types of manufacturers require much less investment, and retail stores still less.

If company A needs \$2 of money at work to make \$1 of sales, and company B needs only \$1 of investment to make \$1 of sales, then company A must make double the profit per \$1 of sales to make the same return upon the money at work.

Unless the yardstick of money at work is added, the true profit picture is likely to be obscured.

This illustration, which shows total dollar profits and profit as a per cent of sales, is not only incomplete but can be unfair.

Drug firm—  
\$2.42 in sales

Profit 11.6¢

	Oil company	Drug manufacturer
<b>Dollar profit</b>	\$653 million	\$12 million
<b>Profit as per cent of sales</b>	10.2%	4.8%

The big total profit and the higher rate creates (continued on page 76)



\$1.2 million  
profit, or  
**4.8 %**  
of sales

← Total dollar comparison makes oil company profit seem disproportionate to drug firm profit picture.

**BUT** comparison → according to money at work shows firms making same rate of profit per dollar invested

Oil company—  
\$1.14 in sales

Profit 11.6¢

\$1.00 of  
money  
at work



# WHAT CONGRESS WILL DO IN '58

This summary will help you follow debate  
on major issues in upcoming election year

CONGRESS will come back to Washington in January both eager and reluctant to make a record in an election year.

Some members will be glad to have a chance to vote on issues which they think their constituents favor. For others, decisions will be difficult.

The legislative product of the 1957 first session of the Eighty-fifth Congress is meager. Politicians and statisticians looking for records frown. Other people say, "That's good."

Habit and custom dictate that most major bills are saved for election years such as 1958 when all 435 House members and 32 of the 96 Senators will be up for re-election. When the voter marks his ballot 15 months from now, his memory will be better about what happened in 1958 than in 1957.

For example:

**1.** It was easy for the first session to postpone a decision on tax cuts. Expenditures were running neck and neck with revenues.

**2.** Congressional committees argued over whether the coverage of the wage-hour law should be extended to 2 million, 5 million or 10 million persons. That numbers game could end suddenly in 1958.

**3.** Neither was this the time for the biennial, election year changes in social security.

**4.** Federal aid for school construction ran into so many troubles that thought was given to waiting until pressures of election year could be brought to bear.

These election year political pressures will fall primarily on the individual member of Congress who returns to Washington in January to round out, in a

comparatively few months, his record for re-election.

They will fall less heavily on the two political parties and their leaders, because these groups don't have to go before the country in a national election.

The Democrats nevertheless will seek to add to their present slim majorities in the House and Senate. The Republicans will try desperately to win control of Congress.

The grand strategy of the majority party will be to give the appearance of a united front despite sharp cleavages between Southerners and Northerners over segregation; between spenders and economizers; between liberals and conservatives.

The minority will have to live with running debates over modern Republicanism.

The congressional Democratic leadership will be the same next year with Speaker Sam Rayburn running the show in the House and his fellow Texan, Lyndon Johnson, calling the turns in the Senate.

On the Republican side there will be difficulties in addition to the increasingly important fact that President Eisenhower cannot run for re-election and, therefore, may not command the following of earlier years. In the Senate, Republican leader William F. Knowland already has announced he will not run for re-election in 1958, so some Republican Senators may not take as kindly to his leadership as they have. There will be jockeying for position. In the House, the lack of complete harmony and teamwork between Minority Leader Joseph Martin and his ambitious lieutenant, Charles Halleck, again will be evident.

Here is an advance look at how some of the major congressional issues will shape up in the second session of the Eighty-fifth Congress.

## Appropriations:

 Another battle of the budget is inevitable. The Republican Administration has said repeatedly that the demands of national security and services for the people dictate large expenditures. So a request for appropriations approximating the \$73 billion requested this year can be expected. Yet the strength and momentum of the 1957 congressional economy drive may have a dampening effect on the spenders.

Such outlays as those for public works, federal grants to the states and agricultural subsidies are built into the economy. They are slowly increasing. That again will mean that savings will have to come from the big and more vulnerable items—national defense and foreign aid.

Democrats joined Republicans early this year in a serious attempt to cut appropriations. The House started out with a bang and wound up by cutting about \$4 billion in the President's request for \$73.3 billion in new money. Many Senators vowed to go along. They began to slip as summer approached, leaving a question of the final congressional action.

## Social security:

 The House Ways and Means Committee, which originates tax bills, will have its hands full with election year demands to extend the social security system.

Bills will be pressed to do at least four things: 1, broaden benefits; 2, lower retirement and disability ages; and to help pay for those things by, 3, raising the present \$4,200 tax base and, 4, increasing the tax rate on both the employer and employee.

For example, one proposal would increase the top social security payments to an individual to \$151.80 a month from \$108.50.

This also would involve raising the tax base to \$6,000 a year from \$4,200, and increasing the tax rate by one fourth of one per cent.

Congress also will be asked to consider bills to permit limited tax reductions by self-employed persons for contributions to voluntary pension plans. The main controversy will be over the allowable limits.

## Wages and hours:

 The Administration will try once more to extend the coverage of the Fair Labor Standards Act to several million more persons, mostly in the retail and service trades. One way would be to cancel specific exemptions in the present law. Another would be to broaden the present definition of interstate commerce as the coverage yardstick. Congressional committees debated the issue at length this year but could not agree on how far to go with either alternative. They also pondered the effect of broader coverage on small business. Raising the dollar-an-hour minimum will be considered again.

## Taxes:

 The die will be cast on tax reduction no later than April 15, 1958. There may be great shuffling around before that time, but the first reports on 1958 collections will be important in determining the kind and size of cuts.

As Congress adjourns, tax experts on Capitol Hill are saying the chances definitely favor tax reduction in 1958. If they hedge, it is because the budget surplus situation might not be too favorable. (It would be difficult for the members to vote a tax cut, even in an election year, if it meant unbalancing the budget and resorting to deficit financing.) They rate the area of tax cuts in about this order: individuals, excises, corporations. The personal income reductions will produce a hot fight over these methods: 1, an across-the-board rate cut; 2, an increase in the \$600 individual exemption; 3, a small cash reduction after the individual tax bill is computed; 4, selective reduction.

Some consideration will be given to relieving corporations of a part of the present 52 per cent combined normal and surtax rate. There also will be clamor to extend progressive taxation to corporations.

## School aid:

 President Eisenhower is irrevocably committed to the philosophy that the existing shortage of classrooms is so far beyond the capacities of states and local communities that federal grants are necessary, but only for a few years.

His request bogged down this year because of the economy drive, strong opposition to the possibility of federal control of education, and the split in Congress over racial segregation. Agreement was also lacking on whether the federal money should be handed out solely on the basis of the number of school children in a state or whether a state's need and ability should be controlling in the distribution.

One strong argument against the bill was that the tax cost would exceed benefits in 17 states.

## Postal:

 The perennial fight over balancing the Post Office Department budget will appear again in two places—appropriations and rates. The Department is operating at an annual loss of about \$700 million.

Congress will try, as it did unsuccessfully this year, to reduce Post Office Department appropriations, but in the end it will give the Postmaster General about what he wants. Arthur Summerfield contends that costs are going up so fast that money can be saved only by curtailing services. Late in the first session the House Post Office Committee started a \$500 million rate increase bill. A few weeks later the committee came up with a postal worker pay raise bill which would eat up about \$265 million of that amount.

# WHAT CONGRESS WILL DO IN '58

continued



## Fiscal:

Early this summer the Senate Finance Committee began an extensive study of the government fiscal and monetary policies which certainly will have repercussions in 1958. It started out with a long statement by Secretary of the Treasury George Humphrey and protracted questioning of him. The hearings ranged over taxes, spending, tight money—and promised to develop a foundation for political, if not legislative, activity in 1958.



## Housing:

This Congress concerned itself with revamping the government's indirect housing aids. It argued over federally insured mortgages and their interest rates. The next session will continue the debate. In addition, it will have to decide at what level to continue direct federal spending for public housing. The Senate will seek several hundred thousand units; the House, something like 35,000. A compromise will be near the House figure.



## Business controls:

A rash of bills and studies directed at control of business can be expected from both the Senate and House Judiciary Committees. They will be aimed at alleged monopoly and mergers, at business bigness generally. Little specific action is expected.

A House Commerce subcommittee will spend \$250,000 to determine how administrative agencies are carrying out their control of business.



## Competition:

The government's multibillion dollar business-type activities, mostly operated by the Defense Department, again will be discussed. The business community will urge once more that the Department be given a free rein to dispose of those operations where private enterprise can do the job as well.

Congress will seek a veto power over any abandonments of those operations.



## Natural gas:

The Administration will try again to get Congress to exempt independent natural gas producers from federal control. Such a bill was vetoed in 1956. A compromise was offered this year. At the start of committee hearings, the Administration confused the issue by recommending amendments to give the Federal Power Commission more control than the bill contemplated. Those developments delayed consideration of the legislation.



## Farm:

Election years are made to order for debates on how to maintain farm income in the face of abundant crops. The soil bank approach will be examined minutely; so, too, will the recurring plan for direct subsidies to the farmer. Investigations already are under way of an Agriculture Department report of \$1 billion loss on the present support program in the 10 months ended April 30. (For details of farm legislation outlook see page 28.)



## Labor:

Congress will do nothing to offend labor in an election year. The Taft-Hartley Act, as such, will not be changed. Changes will be recommended by the Administration next year, says Secretary Mitchell. The inquiry into malpractices by labor leaders will be continued. Congress will move ahead with such items as public disclosure of the financing of welfare and pension funds. That may head off public pressure for direct, punitive measures.



## Power:

Public power advocates will renew their appeals for Federal intervention in development of natural resources. They made unexpected headway this year on the Hells Canyon project.

They also discussed the development of many others by the federal government. The best they could hope for at Niagara, however, was permission for the state to proceed with power development.



## Foreign trade:

The Administration certainly will call for a renewal of the Trade Agreements Act which expires June 30, 1958. The last time the issue was live, Congress extended the law for three years.

The debate will bring with it heated argument over the Organization for Trade Cooperation, which is even more controversial than the Trade Act.

—DONALD A. YOUNG



*Construction phase of Freeport Sulphur's \$119 million nickel mining project will hire 2,000 Cubans*

## **THIS FOREIGN AID HELPS EVERYONE**

**Growth of private U.S.  
investments in Cuba  
benefits both countries**

**HAVANA, CUBA**—American companies have invested an estimated \$400 million of private money in Cuba in the past five years. This money is accomplishing the same objectives the federal government is trying to accomplish with tax-financed foreign aid.

To Americans, the private investments have meant fewer foreign aid dollars required from the taxpayer, profits for investors and additional markets for U. S. goods by increasing Cuban buying power.

For Cubans these investments have helped them to

stimulate a long-range program of industrial diversification, thus helping to counteract periodic depressions caused by dependence upon the fluctuating sugar industry.

They have also helped raise the Cuban standard of living and play down the frequent feeling of dependence occasioned by U. S. government handouts.

The tax saving to Americans is pointed out dramatically by the fact that the U. S. government grants only slightly more than \$500,000 a year in foreign aid money to Cuba. And this amount, only a drop in the bucket compared with outlays the U. S. makes to other countries, is used almost entirely for know-how—technical assistance in agricultural development and other programs.

"In Cuba, you find an excellent example of 'trade versus aid,'" a high U. S. government official in Havana says.

Trading activities and prospects have apparently

been done no real harm by the political unrest in Cuba. Banking officials insist the political troubles, spearheaded by revolutionary leader Fidel Castro, do not endanger American enterprisers. In fact, they point to the recently signed Mutual Security Agreement through which American investments are given guaranty against expropriation and withholding of funds.

The uneasy political situation is pooh-poohed by many Cubans. "We've always had a certain amount of trouble because everybody wants to be president," laughed one Cuban official.

There is, however, a great deal of tension on the island at present, but as one Cuban put it: "The Cubans don't want to do anything that will hurt prosperity," which is at a peak, partly at least, because of private U. S. money.

The fact that the American investments in Cuba are profitable is evidenced by the number and variety of companies with projects there.

Cuban Telephone Company, a subsidiary of International Telephone & Telegraph Corp., for example, is spending \$58 million in the expansion of the island's telephone facilities. The project will more than double the 155,000 existing units.

Major oil companies are sinking millions of dollars into the island. Esso Standard Oil Company has a projected investment of \$30 million, and The Texas Company plans to spend \$14 million. Although there have been no major oil strikes, production has been climbing steadily.

A special report on the future of Cuba's oil industry prepared by J. R. Williston & Co., New York brokers, noted that ". . . hopes are running high and . . . these hopes are based on an ever broadening fund of scientific information."

American and Cuban capital have joined in seven separate projects totaling about \$45 million for manufacturing pulp, paper, cardboard, wallboard and plywood out of sugar cane bagasse, a waste product formerly used principally as fuel for the sugar mills.

Probably the most massive single expansion project is being carried out by Cuban Electric Company, a

*Kenneth M. Crosby, Havana head of Merrill Lynch, says U. S. investments are at a peak*

subsidiary of American & Foreign Power Company, Inc. The plan calls for doubling Cuba's power facilities with nine new plants, including an atomic power installation. Total outlays are expected to be \$222 million.

Firestone Tire & Rubber Company is building a \$4 million factory, and the United States Rubber Company is competing with one for \$5 million. Owens-Illinois Glass Company and Reynolds Metals Company are spending around \$4 million each for new subsidiaries on the island.

"American investments in Cuba are at a peak," says Kenneth M. Crosby, lanky Southerner who heads the Havana office of Merrill Lynch, Pierce, Fenner & Beane. "Things are looking up all the time." New construction has more than tripled in the past 12 years. In 1956, building was tagged at about \$75 million and some say it may run to \$100 million this year.

Everywhere along the island there are signs of growth and construction. All along the way from the airport at Havana to the center of town new buildings are going up. Many of the company names are as familiar to an American as the signs one would see on the outskirts of Pittsburgh, Atlanta or Dallas. New apartment buildings, with extremely modern architecture, are being built.

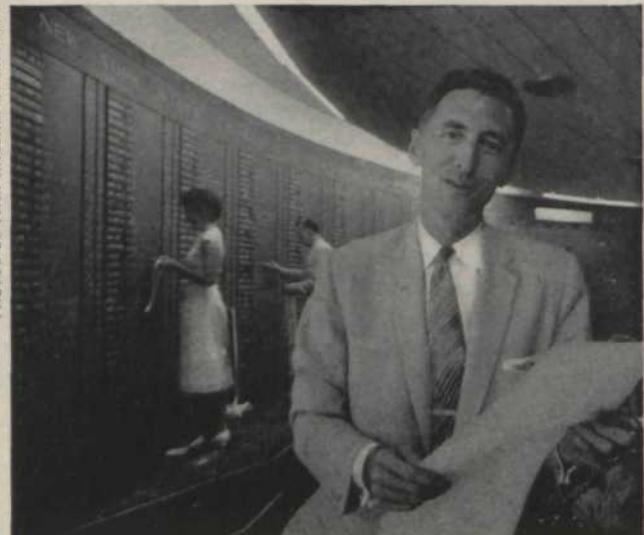
Mr. Crosby, weaving his way through horn-honking Havana traffic, remarked, "You'll see about as many new cars per capita as any place in the United States." A big neon sign advertising Studebaker jutted out from an ancient Spanish-type building which had been converted to a picture-window display room.

This diversification and expansion is sorely needed in Cuba to alleviate unemployment. Each year, 40,000 to 50,000 young men come of age and are ready for work. Many have difficulty finding permanent, all-year employment. The sugar industry, which hires many of these young people, is a seasonal operation—from January to June.

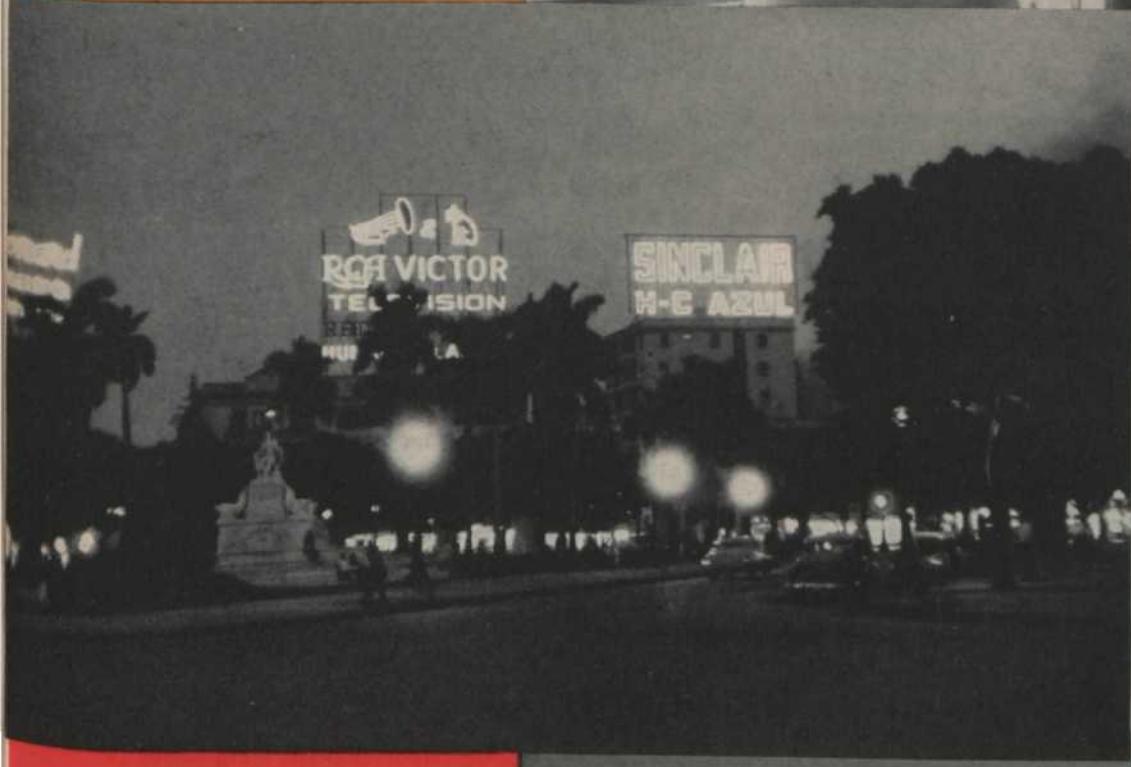
Although no complete figures are available on the number of Cubans employed on the island by American companies, experts are confident the figure is rising steadily. The only official estimate, made by the U. S. Commerce Department in 1955, showed that some 73,000 Cubans were employed at that time by a sample group of some 300 American companies spread throughout Latin America. This sample represented about 50 per cent of the companies operating in Latin America, but they were the largest companies, generally. All of them, of course, were not necessarily operating in Cuba.

The growing employment of Cubans by American companies is borne out by companies reporting to NATION'S BUSINESS. For instance, International Telephone & Telegraph is presently employing close to 3,000 Cubans. By 1960 it plans to employ 4,250 and by 1966, 7,840. United States Rubber Company for a number of years has employed approximately 475 Cubans, and with the new expansion, expected to be completed early next year, the company will hire an additional 300 permanent workers.

Owens-Illinois Glass Company's plant is being built by a Cuban contractor and when it is finished, in the first half of 1958, some 200 Cubans will be hired. Reynolds plans employment for 200 workers within the next two or three years (*continued on page 56*)



Two Cuban Electric Company officers, Serafin G. Menocal (left) and Walter J. Amoss, discuss the firm's \$222 million expansion program



U.S. companies have invested millions of dollars in Cuba over the past few years. Neon signs familiar to Americans can be seen everywhere

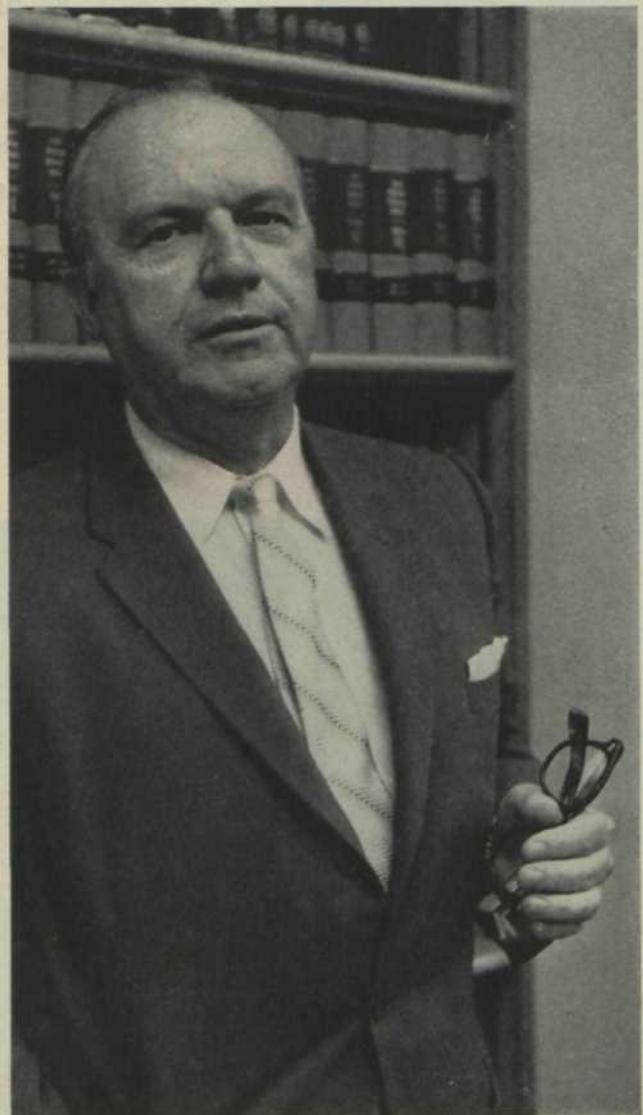
Oil production climbs as U. S. companies increase operations. Esso Standard Oil Company has a \$30 million expansion underway in Havana



# LABOR LAW'S NEW MEANING

## WHAT THE LABOR BOARD IS SAYING:

NLRB Chairman Boyd Leedom, in this interview, tells how its Taft-Hartley rulings affect you



NOEL CLARK

***Judge Leedom, now that the Taft-Hartley Act is 10 years old, how would you say it has worked?***

The answer to that would depend on the viewpoint of the person answering. A labor leader might have one view and many have been very critical. A businessman might have another view and some businessmen have been critical. I think that it has worked pretty well.

***What do businessmen complain about?***

Businessmen complain chiefly about secondary boycotts and the Board's interpretation of law in this area. They also complain of Board decisions as to bargainable issues, particularly with respect to pension plans, stock purchase plans, and other so-called management prerogatives.

Notwithstanding the management complaints, I think the secondary boycott is pretty well under control. This vice, in the main, has been substantially diminished by the operation of the Taft-Hartley Act.

***What is the rule on secondary boycotts?***

The subject is complicated, but the law seems to be pretty well settled in all except a few areas. One important controversial area is the so-called "hot cargo" clause, and we appear to be nearing a final answer on that. This is a clause by which an employer agrees that his employes may refuse to handle goods the union considers "hot" because they are being transported to or from an employer whom the union considers unfair.

The majority view of the Board is that, under the law, such a clause cannot authorize the union to go to the employees and ask them to take part in such a secondary boycott.

This position of the Board has been affirmed in some

courts, reversed in others. I think the Supreme Court will decide the question reasonably soon.

#### **What about unions putting pressure on secondary employers?**

That remains a question of policy to be decided by Congress. As the Taft-Hartley Act is written, it does not prohibit a union from inducing a secondary employer not to handle hot goods. Therefore, the Board can do nothing about that under the Act. The Act forbids only inducement of employes of a neutral employer.

#### **What do unions complain about most?**

Mostly their criticism is general. However, one specific criticism goes to the free speech provision in Taft-Hartley. It was not in the Wagner Act.

There is also a good deal of complaint about Section 14 (b), which permits states to pass right-to-work laws.

#### **What are the legal limitations on free speech by employers?**

Under the law as presently interpreted, neither the company nor the union may make a speech to employes on company time for or against organization during the 24 hours immediately before a union election.

Generally speaking, an employer or a union can advise the employes that it is for or against their interests to vote for a union so long as the statement does not involve a promise of benefit or a threat of reprisal, and is not otherwise coercive.

#### **What is the problem about state labor laws?**

The Labor Board has never in its 22 years of existence exercised its full legal jurisdiction. As a result, certain businesses that actually come within the Board's legal jurisdiction are denied the processes of the Board under a system of jurisdictional standards. There was over the years a rather common belief that such enterprises were subject to regulation by the states either through state courts or state labor boards.

The Supreme Court in the Guss case decided that the Taft-Hartley Act completely pre-empts the field that it covers. That means, for example, that state courts or boards generally cannot deal with activities forbidden by the Act as unfair practices even though the Board will not take the case under its established jurisdictional standards. This creates a difficult problem for many unions and many businesses. As the Court recognized, this leaves a "no man's land" in which there is no law of labor-management relations.

#### **What is the Board doing to reduce the problem?**

The Board recognizes responsibility to do what it can to alleviate this situation. Bills also are pending in Congress dealing with the problem, and we will try to relate our action to whatever action Congress may take.

The Board has reduced its standards, so to speak, in one limited area—multistate enterprises. Previously, the Board considered only the volume of business done by that part of the enterprise directly involved in the case. Now the Board bases jurisdiction on the entire business. More cases will be taken as a result of this change.

#### **How do you decide whether to take jurisdiction over a small enterprise?**

Here are the essentials of the present standards.

There are five types of businesses which we put in what you might call special categories. These are:

1. Instrumentalities of commerce, such as truck or bus lines or communication concerns like television stations or telegraph companies.
2. Retail public utilities.
3. Newspapers.
4. Office buildings.
5. National defense concerns.

For each of these types of business the Board has a particular standard, usually stated in dollar volume of business.

Other businesses are divided into either retail or nonretail. In determining whether to assert its jurisdiction over these, the Board uses four measuring sticks.

1. Direct outflow. Goods shipped or services performed across state lines must amount to at least \$50,000 a year for nonretail and \$100,000 for retail establishments.

2. Indirect outflow. Goods or services furnished to instrumentalities of commerce, or to a concern that has the required amount of direct outflow, or to certain other enterprises must amount to at least \$100,000 in both nonretail and retail establishments.

3. Direct inflow. Goods or services coming directly to the employer from out-of-state must amount to at least \$500,000 in nonretail and \$1 million in retail establishments.

4. Indirect inflow. Goods or services coming indirectly to the employer from out-of-state, as through wholesalers, must come to at least \$1 million in nonretail and \$2 million in retail businesses.

#### **Aren't these standards somewhat complicated?**

I think so. But it is not easy to develop simpler standards to meet the requirements of the law and our budgetary limitations. We are working toward further simplification.

#### **What is your relation with state labor boards?**

Jurisdiction cannot be ceded except to a state board which operates under a state law with provisions essentially the same as Taft-Hartley. Our Board has never been able to cede any part of its jurisdiction because of this resolution.

The Guss decision has brought the possibility of cession to states under further study but the limitations of the federal act make it uncertain that there can be any substantial relief.

#### **Is Congress doing anything about the problem?**

It is considering several proposals. One would give states authority to act (continued on page 46)

**FOR WHAT THE COURTS  
ARE SAYING ABOUT  
LABOR ISSUES, SEE PAGE 52**

# HOME AND HOUSEWARE SPENDING PROJECTED TO 1965

Markets will improve more for some items than others, special study predicts

SHARP CHANGES from today's spending pattern for housing and household items, brought by population shifts, higher incomes and more family formations, will be seen in the years just ahead.

Though by 1965 the total shelter and homemaking market will grow roughly 40 per cent in terms of current prices, the market will be much better for some goods than for others. For instance:

Household operation expenses, such as laundry and cleaning sent out, wages for domestic servants, moving and telephone service, will go up 52 per cent by 1965.

At the same time spending for coal, oil, gas, electricity and water will edge up only 33 per cent.

Family treasurers will put 60 per cent more money into hotel and motel bills and lodging for their children away at school or college in 1965.

But spending for such household equipment as refrigerators, stoves, washing machines and small appliances will be only 37 per cent higher.

By 1965, outlays for rent are expected to edge ahead by only 21 per cent, whereas home ownership spending should rise more than twice that amount.

These findings of future spending were made in a special NATION'S BUSINESS study of consumer expenditures for housing and household operations.

The study is based on the most comprehensive collection of consumer expenditures data ever assembled in this country. The data were gathered by the U. S. Labor Department's Bureau of Labor Statistics

in surveys of 12,500 families in 91 representative cities. The vast findings were then pulled together and tabulated by the University of Pennsylvania's Wharton School of Finance and Commerce. Final volumes of the tabulations are being published now.

Though the information on consumer spending was gathered in 1950 and 1951, spending habits within particular income brackets remain fairly constant, according to Dr. Irwin Friend, director of the Wharton project and an authority on money flows.

Changes in income are responsible for the major alterations in spending patterns. Though people in the north usually will spend a little more on housing and fuel and folks in small towns usually spend less on housing, families within a certain income bracket tend toward uniformity in their spending habits, the study found.

National advertising and distribution and the availability of most consumer goods to everyone regardless of social, occupational, educational, geographical, or racial differences have contributed to a similarity of tastes, desires and buying habits. A big change in income makes the most significant impact on how a family spends its dollars.

With the Wharton tabulations as a basic feature, NATION'S BUSINESS projected the spending patterns to 1957 and 1965 in line with population and income trends.

It found that U. S. consumers will spend about \$75 billion this year for housing, household operation and homemaking equipment. By 1965, these expenditures should total about \$105 billion. Like other consumer expenditure calculations in this field, payments on the principal of mortgages are considered savings and are not included as spending in this study.

Some economists believe Americans will spend even more for housing in the years ahead, that the same trend toward increased outlays for fancy and processed foods will be followed in the housing expenditures. Nathaniel H. Rogg, economist with the National Association of Home Builders, for instance, maintains that a higher proportion of consumer spending will go for housing and household items as people buy houses with more bathrooms and bedrooms and as families spend more time in the home enjoying their television rooms, air conditioning, patios and even swimming pools.

The estimated increase from \$75 billion to \$105 billion in the next eight years is based on an increase in the number of consumer spending units from 54 million to an expected 60 million. Such a unit is a single spender or a number of persons who pool their incomes for spending purposes, such as a family with more than one earner.

The housing expenditures increase is based also on a growth of personal income from \$340 billion this year to \$475 billion in 1965, with median income before taxes for each spending unit rising from \$5,000 this year to \$6,200 in '65.

Here are expenditure trends for major housing and household categories

## HOME OWNERSHIP COSTS

47% 

Taxes, insurance, interest on mortgages, and repairs and replacement expenses make up home ownership costs. They will total about \$15.3 billion this year. By 1965, they are expected to reach \$22.5 billion. This is a 47 per cent rise over 1957. It reflects a continued increase in the proportion of home owners compared with renters.

Though housing starts have been down for the past two years from the 1.3 million rate in 1955, and the mortgage market has been tight, the demand for new housing should rise in the next few years. The University of Michigan's Survey Research Center, which makes periodic sur-

veys of consumer spending expectations, found that two thirds of those who rent and one third of those owning homes either had plans to or would like to move to a newer, larger house. Also the pace of family formation now reflecting the low birth rate of the 1930's is expected to increase in the 1960's.

Home ownership expenditures are 4.2 per cent of total spending of families with incomes of less than \$4,000. These expenditures jump to 6.7 per cent for families with incomes of \$10,000 or more. Higher average incomes and the 6 million growth of spending units by 1965 should boost demands for housing.

## RENT

21% 

Forty per cent of American families pay rent, and 4.5 per cent of all consumer expenditures go for rent payments. As the family pay check enlarges, renting falls off sharply. Some 60 per cent of families with income under \$4,000 are renters, and 8.7 per cent of total consumer expenditures of this income group goes for rent.

Among families with \$10,000 in-

come or more, fewer than 25 per cent are renters and only 2.2 per cent of their expenditures are for rent. Rising average incomes during the next few years should bring a decreasing proportion of renting families. This year's total spending for rent will be about \$12 billion. Expenditures in 1965 are expected to be \$14.5 billion, only a 21 per cent rise.

## OTHER HOUSING

60% 

Hotels, rent for vacation homes, lodging while traveling, and lodging for students away from home are other housing expenditures. They will total about \$2.5 billion this year. Some 75 per cent of this amount will be spent by families with incomes of

\$6,000 or more. This spending soars as incomes rise.

With more and more families moving up the income ladder, expenditures for this purpose are expected to jump 60 per cent by 1965, reaching \$4 billion.

## FUEL, ELECTRICITY AND WATER

33% 

Low income families spend a comparatively big chunk of their incomes for utilities—fuel, electricity, and water—to heat, cook, clean, light and run appliances. Every family must spend something in this area no matter what its income is.

Families with less than \$4,000 income use five per cent of total expenditures for fuel, electricity and water; while \$10,000-a-year and over families use only 2.9 per cent of their expenditures. Items in this

category and rent are the only major housing expenditures with more than one fourth of total dollar market accounted for by families with incomes under \$4,000. Since a large portion of the market for fuel, electricity and water is in the lower income groups, these outlays won't rise as fast as other items of housing expenditures. This year's spending will be about \$10.1 billion. And 1965 spending is expected to be \$13.4 billion, up only 33 per cent.

## HOUSEHOLD OPERATION

52% 

Expenditures for laundry and dry cleaning sent out, servants' wages, moving expenses, postage, telephone service and similar items are considered household operations. Consumers will spend about \$15.3 billion for this item in 1957.

Naturally, expenditures shoot up as incomes rise and families might be able to afford a maid two days a week instead of one and put an extra phone upstairs. These expendi-

tures are 4.2 per cent of total spending for families with incomes under \$4,000, and 8.9 per cent for families with incomes of \$10,000 or more. More than a third of all household operations expenditures are made by families with incomes of \$10,000 or more.

Total spending for household operations is expected to climb by 52 per cent by 1965, reaching \$23.3 billion.

**HOUSEHOLD TEXTILES****48%**

Sheets, blankets, towels, curtains, draperies and other textiles for household use make up about 0.9 per cent of all spending for all income groups under the \$10,000 level. But

for families with \$10,000 and over income, these expenditures are 1.3 per cent. This year, textile spending will total \$2.7 billion. It should be \$4 billion in 1965, up 48 per cent.

**FLOOR COVERING****48%**

Rugs, carpets and linoleum, which are the main floor coverings, also make up a bigger wedge of a family's total expenditures as incomes rise. Floor coverings account for a bare 0.4 per cent of expenditures for fam-

ilies with under \$4,000 income and 1.3 per cent for families with \$10,000-or-over incomes. Total spending for these items are \$2.1 billion this year. They are expected to reach \$3.1 billion in '65, a 48 per cent rise.

**FURNITURE****42%**

Families with under \$4,000 income use 1.5 per cent of their total expenditures for furniture, but the proportion is relatively stable at 1.9

per cent for all higher groups. About \$5 billion in furniture will be bought by consumers this year, about \$7.1 billion in '65, up 42 per cent.

## Here's how dollars will pour into homemaking

(Shown in billions of dollars)

	UNDER \$4000		\$4000-\$5999	
	1957	1965	1957	1965
<b>Rented home</b>	<b>4.5</b>	<b>3.6</b>	<b>3.0</b>	<b>3.6</b>
<b>Owned home</b>	<b>2.2</b>	<b>1.7</b>	<b>3.2</b>	<b>3.8</b>
<b>Other housing</b>	<b>0.2</b>	<b>0.1</b>	<b>0.4</b>	<b>0.4</b>
<b>Fuel, electricity and water</b>	<b>2.6</b>	<b>2.1</b>	<b>2.4</b>	<b>2.8</b>
<b>Household operation</b>	<b>2.2</b>	<b>1.7</b>	<b>2.8</b>	<b>3.3</b>
<b>Household textiles</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.7</b>
<b>Floor coverings</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>0.5</b>
<b>Furniture</b>	<b>0.8</b>	<b>0.5</b>	<b>1.2</b>	<b>1.5</b>
<b>Household equipment</b>	<b>1.2</b>	<b>1.0</b>	<b>1.5</b>	<b>1.7</b>
<b>Other housewares</b>	<b>0.6</b>	<b>0.4</b>	<b>0.8</b>	<b>1.0</b>
<b>Total expenditures</b>	<b>14.9</b>	<b>11.6</b>	<b>16.4</b>	<b>19.3</b>

**HOUSEHOLD EQUIPMENT****37%** 

Stoves, refrigerators, cleaning and laundry equipment and small appliances are considered household equipment. These expenditures are about 2.3 per cent of total consumer spending for all income groups under \$10,000. They drop to 1.7 per cent for more well to do families. Household equipment expenditures will be about \$5.9 billion this year, and are estimated to reach \$8.1 billion in 1965, up only 37 per cent.

**OTHER HOUSEWARES****49%** 

Light bulbs, lamps, clocks, and similar goods are grouped as other housewares. These items make up about 1.2 per cent of consumption expenditures for all income groups under \$10,000, but rise to 2 per cent for families with higher incomes. Spending for these items will reach about \$3.7 billion in '57 and about \$5.5 billion in '65, up 49 per cent.

Of the 54 million consumer spending units today, more than 20 million are in the under \$4,000-a-year income bracket. But by 1965, only 15 million spending units will be in that income range. The largest group will be in the \$6,000 to \$10,000 level.

**REPRINTS** of "Home and Houseware Spending Projected to 1965" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid, from Nation's Business, 1615 H Street N.W., Washington 6, D.C. Please enclose remittance with order.

in 1957 and 1965 for different income groups

\$6000-\$9999		\$10,000 AND OVER		TOTAL	
1957	1965	1957	1965	1957	1965
3.2	4.7	1.3	2.6	12.0	14.5
5.9	9.1	4.0	7.9	15.3	22.5
0.9	1.5	1.0	2.0	2.5	4.0
3.4	5.2	1.7	3.3	10.1	13.4
5.0	7.9	5.3	10.4	15.3	23.3
0.9	1.4	0.8	1.6	2.7	4.0
0.6	0.9	0.8	1.5	2.1	3.1
1.8	2.8	1.2	2.3	5.0	7.1
2.2	3.4	1.0	2.0	5.9	8.1
1.1	1.7	1.2	2.4	3.7	5.5
25.0	38.6	18.3	36.0	74.6	105.5

# HOW'S BUSINESS? today's

## An authoritative report by the staff of The Chamber of Commerce of the United States

### AGRICULTURE

Farm income from the sale of livestock in 1957 will be substantially above last year. Higher beef and pork prices are expected to offset the decline in the number of cattle and hogs sold.

The U. S. Department of Agriculture estimates total marketings of beef and pork for 1957 to drop about three per cent from last year's all-time record. There are fewer meat-producing animals on farms this year than in 1956.

Smaller supplies, in combination with the population increase, mean a reduction of about five per cent per person—159 pounds, instead of the 167 pounds for 1956. Accordingly, both cattle and hog prices are expected to average higher than 1956 the rest of this year.

Looking past 1957, the cattle population is expected to continue its decline. Cattle prices thus can be expected to continue strong throughout 1958. Low feed prices and relatively good hog prices are again tempting producers to expand their breeding stock.

With prospects for continued strong demand and limited supplies of beef, pork prices are expected to avoid any major break until at least the fall of 1958.

### CONSTRUCTION

New construction hit a new high of \$21.5 billion in the first six months of 1957, three per cent above the same period last year. This represents an annual rate of nearly \$46.8 billion, compared with actual expenditures of \$46.1 in 1956.

Now Congress has passed the Housing Act of 1957. It provides an additional \$350 million in capital grants for slum clearance and urban renewal for one year. Down payments on FHA-insured home loans may be lowered to three per cent on

the first \$10,000 of appraised value, 15 per cent on the next \$6,000, and 30 per cent on the excess up to a maximum of \$20,000.

Fannie Mae's borrowing authority is increased by \$650 million to finance its secondary market operations. Special assistance funds are increased by \$500 million, including \$250 million for purchase of military housing mortgages.

An additional \$175 million is made available for college housing loans, with no change in the subsidized interest rate formula. Income limits are raised for admission to and continued occupancy of public housing.

### CREDIT & FINANCE

The big August refunding of the Treasury may well set the interest rate pattern for the remainder of 1957. The government bond market will continue to fluctuate.

Large autumn loan demands may create such heavy pressure for funds that interest rates will be pushed to new highs.

While the demand for money has been acute over the past year, most credit-worthy needs have been met by banks and other financial institutions.

Continuing demands for investment funds suggest that inflationary pressures are strong.

Home building may begin a new spurt of activity after Labor Day, with general business conditions buoyant throughout the rest of 1957. Debt reduction plans, financial and monetary investigations, banking law revision and interest rates will develop into major national issues during the second session of the Eighty-fifth Congress.

### DISTRIBUTION

Dollar sales in retailing for the next six months are likely to be up

four to five per cent over the last six months in 1956. For 1957 as a whole, retail sales are expected to exceed 1956 by three or four per cent in dollar volume. Adjusted for price increases this will represent a small gain over 1956. Unit volume will be up only a little.

Major sales increases in the second half are expected in nondurables: Clothing should be up six to seven per cent, food up five to six per cent.

Department store sales are expected to rise four to five per cent during this period.

Factors behind these predictions: Customers are still willing to trade up. Consumer credit is in good shape, a valuable selling tool. Supermarket methods are spreading to other kinds of stores successfully—meaning bigger volume, smaller proportionate costs.

New car sales have been running at about last year's rate. Sales for the last half of 1957 will continue comparable to 1956 unless new models bring a sales spurt.

Household furnishings sales will continue along on a lower plateau as home construction levels off. Appliances may continue to slip, dropping as much as five per cent for the year from 1956 levels.

### FOREIGN TRADE

Increased United States exports to Western Europe are indicated as five nations lower import barriers on dollar goods and discuss other pending concessions.

Consultations concluded July 1, under the General Agreement on Tariffs and Trade, resulted in concessions by Italy, Sweden, West Germany and Austria. Britain took similar action on her own.

Other countries maintaining import restrictions for balance-of-payments reasons will consult with the United States under the same GATT provisions in September and October. These include France, Turkey, Finland, Japan, United Kingdom, Rhodesia and Nyasaland, Australia, Ceylon, New Zealand, Pakistan, Union of South Africa, and India.

All consulting countries reported that they would remove remaining restrictions as their financial positions improve. Some noted, however, that domestic problems, notably in

# outlook

agriculture, will require the maintenance of import restrictions on a few products for some time.

## GOVERNMENT SPENDING

Preliminary maneuvers to counter the effects of reductions made during the economy drive have begun. The postal supplemental appropriation was an opening salvo for what are expected to be numerous sorties to restore funds. The economy drive cuts have hurt, and agencies are reluctant to curtail. Thus economy-minded citizens must maintain constant vigilance if the awakened budget-consciousness in the federal government is to remain alive.

The new spending study by the Joint Committee on the Economic Report should provide a landmark in analyzing the impact of budget expenditures on the economy and individual freedom. It will be comprehensive, staffed by experts, and penetrating.

The liberal *vs.* conservative issue will be clearly etched in all deliberations during this investigation. One difference: Conservatives probably will be given a fairer shake than in the battle in the mid '40's over the Employment Act.

## LABOR

Organized labor's new cloakroom strategy on Capitol Hill is taking shape. Unions did not want the Taft-Hartley Act opened up for amendments at the first session, and don't want it at the next. Labor is reported to fear that the McClellan Committee's disclosures might result in new restrictions rather than relaxation of Taft-Hartley limitations.

Part of the union strategy also is to settle for welfare fund regulations and for stricter reporting of union finances, if it looks as if some legislation cannot be avoided.

What union regulations, if any, will come out of the next session will be problematic. Congressmen coming up for re-election will be reluctant to risk alienating labor officials, unless the charges made by the McClellan Committee stir up strong sentiment for new laws. In that case, legislators will have little choice except to study the problem of what new legislation is needed.

For this reason, the key is said to

be in the hands of the McClellan Committee. Reports circulating in Washington are that the Committee has received a wealth of new investigating leads.

## NATURAL RESOURCES

The Administration has drafted legislation to put the recommendations of the President's Water Policy Advisory Committee into effect. The federal agencies concerned are reported to agree on major points and presumably favor the introduction of the legislation in Congress.

But delays have consumed nearly two years since the Executive Offices adopted the unified policy. This delay has compounded the budgetary and legislative problems which stem from the lack of uniformity in federal water policy.

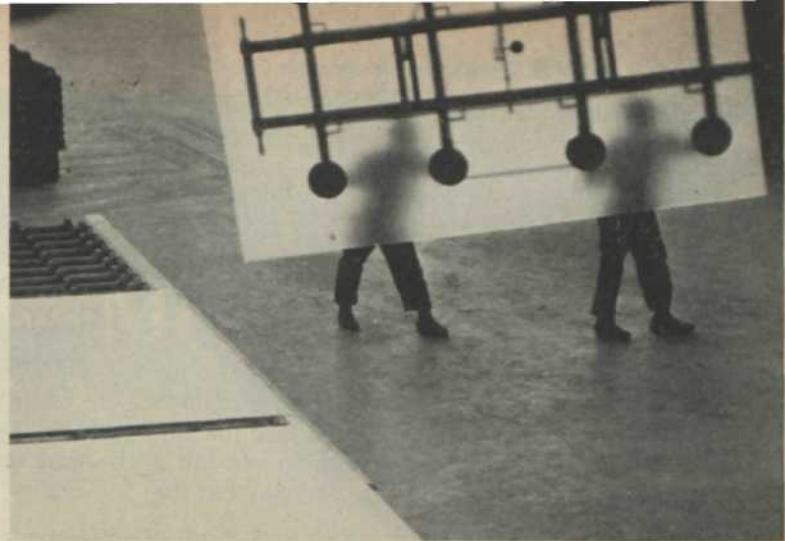
Delay has provided a vacuum into which anti-unification forces are steadily moving. The Senate committees, through a bill (S. Resolution 148), may seek to assume any initiative the executive is willing to relinquish. In the meantime, also, advocates of more and more federal spending for water resource developments are continuing to promote billion dollar authorizations and appropriations for flood control, rivers and harbors, and reclamation projects.

These forces will win out if no action is taken on the President's recommendations. Extravagance and waste in federal water programs cannot be stemmed until sound national water policy legislation is adopted.

## TAXATION

Nothing will be done about tax reduction in spite of the continuing talk about it.

Senator Byrd reports receipt of the largest petition ever, signed by many thousands in 43 states, asking for a \$10 billion tax reduction.



HANDLING FROSTED GLASS WITH SUCTION CUPS (AUTHENTICATED NEWS)

This, the petitioners claim, can be made possible by lowering federal expenditures through adoption of the Hoover Commission recommendations, removal of the tax exemptions now granted some organizations, and reduction or elimination of foreign aid.

Now that the excise tax revision and the technical and administrative amendments bills are out of the way in the House, the spotlight is supposed to shift to member bills.

Heavy pressure is building up from the states for expansion of social security coverage to bring their employees, particularly police and firemen in smaller communities, under the Act. Bills have already been introduced which would give several states the exceptions needed.

## TRANSPORTATION

Vacation figures show one aspect of the economic importance of the new highway program.

This year nearly 80 million persons are expected to take vacation trips lasting about two weeks and averaging almost 1,500 miles. They will spend \$13 to \$15 billion.

Last year New York State netted about \$2 billion from tourist trade. New Jersey, Florida, and Pennsylvania reportedly received \$1 billion or more from travelers. California and Illinois are fast approaching the \$1 billion mark.

Tourist spending tends to follow a basic pattern—food 28 per cent, living quarters 22 per cent, miscellaneous purchases 20 per cent, gas and oil 19 per cent, entertainment eight per cent, and automobile equipment and repairs three per cent.

More than 80 per cent of vacation trips are made in automobiles. As more of the National Interstate Highway System is completed, more vacationers will travel farther and spend even more.

in cases where the Labor Board has legal jurisdiction but has declined to exercise it. The main feature of another would empower the Board to cede jurisdiction to the states without requiring that their labor statutes be consistent with the Taft-Hartley Act.

**What other policy questions are pending in the courts?**

Besides those we have mentioned, there is another important issue now before the Supreme Court. This is the question of whether an employer has a right to insist that a contract include a provision that the employees must vote to strike before the union can call a strike. The employer in this case also insisted that the

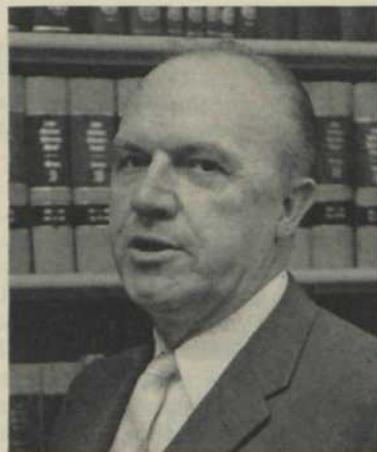
contract provide that any last offer the employer made must be submitted to a vote of the employees for acceptance or rejection.

The Board held (another member and I dissented) that the company had no right to insist upon such conditions. The Court of Appeals reversed the Board, and the Supreme Court has consented to review it.

**What are the major problems of administering Taft-Hartley?**

Little, troublesome things may be our greatest problem. One, for instance, is trying to determine in election cases who is a supervisor and who is not. Our really big problem as of now relates to the no

How these five men interpret and apply the Taft-Hartley labor law has a direct bearing on how you can run your business



**BOYD LEEDOM**, chairman of the National Labor Relations Board, was on the South Dakota Supreme Court when President Eisenhower appointed him two years ago to a term expiring Dec. 16, 1959. He is a veteran, former arbitrator



**ABE MURDOCK**, former Senator from Utah, is the only Truman appointee on the Board. He was elected to the House in 1933 when the New Deal came in. He has legal background, votes often on labor's side. Term ends December

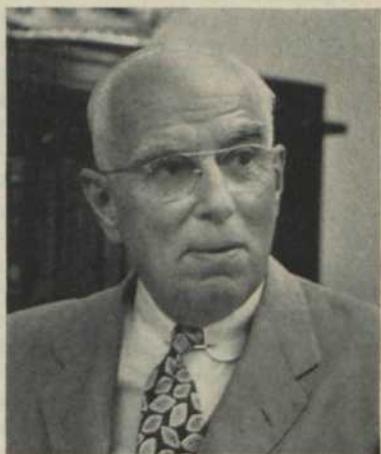
PHOTOS BY NOEL CLARK



**JOSEPH A. JENKINS**, newest member, was practicing law in Fort Worth, Tex., when appointed last March. Had previous government experience as NLRB attorney, and was Navy officer in World War II. Term expires Aug. 26, 1961



**PHILIP RAY RODGERS** moved from Capitol Hill to the Board four years ago. He was staff director of Senate Labor Committee under Republicans, secretary to a senator, taught political science. His term runs for another year



**STEPHEN S. BEAN** was a trial examiner for the Board when he moved up almost two years ago. Connected for many years with Boston insurance firms, he engaged in law practice after World War II service. Term has 3 years

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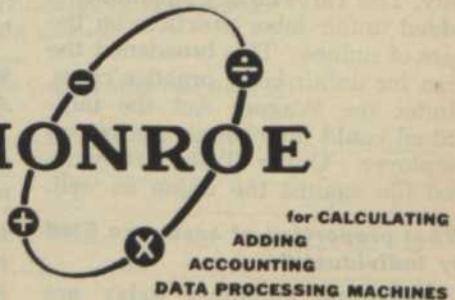


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## LABOR LAWS

continued

man's land that was created by the Guss decision.

Another problem that is always with us, and to which we devote a lot of time and consideration, is the one of shortening the time in deciding cases.

### **What improvement has been made?**

To put this vexing problem of time in its proper perspective, one should keep in mind that practically 90 per cent of our cases are not contested; that is, they are disposed of shortly after filing either through adjustment, withdrawal or dismissal. The real troublesome area covers those cases which are contested. As of today, a contested unfair labor practice case takes the Board 13 months, on the average, to decide from the date of the initial filing of the charge.

In collective bargaining election cases, which are simpler, the Board decision is issued on the average of 10 weeks from the date when the original election was requested.

### **What steps have been taken to shorten the time?**

The Board recently reorganized its system of assigning and processing the collective bargaining election cases by channeling them apart from the more complicated unfair practice cases. We hope through this new method to handle the simpler cases more quickly. The first results are good.

### **Are you deciding more cases than you are getting?**

Over the years we have taken in from 13,000 to 14,000 cases a year. Our output is within the same range.

In the approximately 12 years of the Wagner Act, the Board decided about 13,800 cases.

One significant thing under Taft-Hartley is the tremendous number of cases which have required a Board decision—about 27,000.

### **What caused this increase?**

The Wagner Act dealt with unfair labor practices by employers only. The Taft-Hartley amendments added unfair labor practices on the part of unions. This broadened the area for unfair labor practice cases. Under the Wagner Act the individual could file charges against an employer. Under Taft-Hartley he can file against the union as well.

### **What proportion of cases are filed by individuals?**

Individual employees today are

filling about 42 per cent of all the unfair labor practice cases. This is only two per cent less than are coming from labor organizations. Employers are filing about 17 per cent of the charges.

About 60 per cent of the charges filed by individual workers are against employers, the other 40 per cent against unions.

### **Is the ratio changing?**

Yes, it has in the past few years. Previously, the average was about 65 per cent against employers, and 35 per cent against unions. Of course, in some instances a worker brings charges against both, as in cases where he feels he is being discriminated against under an illegal closed shop.

### **What unfair acts do individuals complain about?**

The major charge made by individuals involves illegal discrimination against them in the course of their employment. This would include the outright discharge of an individual by his employer because of his union activities, or a discharge at the union's request because of some disagreement with the employee. Or, it might mean the loss of seniority by an individual as a result of union pressure upon the employer. In the main, the most frequent complaint by individuals involves job rights.

### **What relief do individuals get?**

In the past decade, more than 15,000 employees have been reinstated to jobs from which they have been illegally separated due to discrimination by the employer, the union, or both. In addition, workers who had suffered one form of discrimination or another received a total of more than \$11 million in back pay.

### **Who paid this?**

About \$10 million was paid by employers and the remaining \$1 million by unions.

### **Under what circumstances would a union pay back pay?**

This would happen in a case where the Board found that the union had caused the employer to discharge a worker or refuse to hire him through an illegal arrangement.

### **What happened under the Wagner Act?**

Under the Wagner Act about 41,000 employees received about \$12.5 million in back pay.

### **How do you account for the higher number of workers receiving back pay under the Wagner Act?**

I think that this reflects a healthy change in our industrial relations. The past 10 years have not brought mass discharges of workers as in the early days of the Wagner Act when the individual's rights under the law were far from fully accepted and the law was still undergoing court test and interpretation.

### **How else are individuals making more use of Taft-Hartley?**

More of them are voting in collective bargaining elections than ever before—nearly 90 per cent of those eligible. Under the Wagner Act the average was about 84 per cent voting.

### **Aren't fewer workers involved in elections than used to be?**

Yes. Here again, we have a reflection of the current labor scene. In the 12 years of the Wagner Act, the Board conducted about 37,000 elections in which 7.7 million votes were cast out of 9.1 million workers who were eligible to vote. The average number of employees in each election was about 210. Under Taft-Hartley the average has been about 110. Last year two thirds of the elections involved units of fewer than 50 employees.

### **What does this reflect?**

The first thing that comes to mind is this: Many of the major segments of American industry have been organized and greater organizational effort is now being made in smaller units.

### **Do unions find it harder to organize smaller businesses?**

Statistics show that today they are winning 61 per cent of the elections, compared with an 81 per cent average under the Wagner Act.

### **Is this same trend indicated in votes cast in favor of unions?**

There is also a decline in the number of votes cast for unions, but it is not so marked. Under the Wagner Act, 81 per cent of the valid ballots were cast in favor of unions. Under Taft-Hartley, the unions have received 74 per cent of the votes cast.

### **How do you account for this trend?**

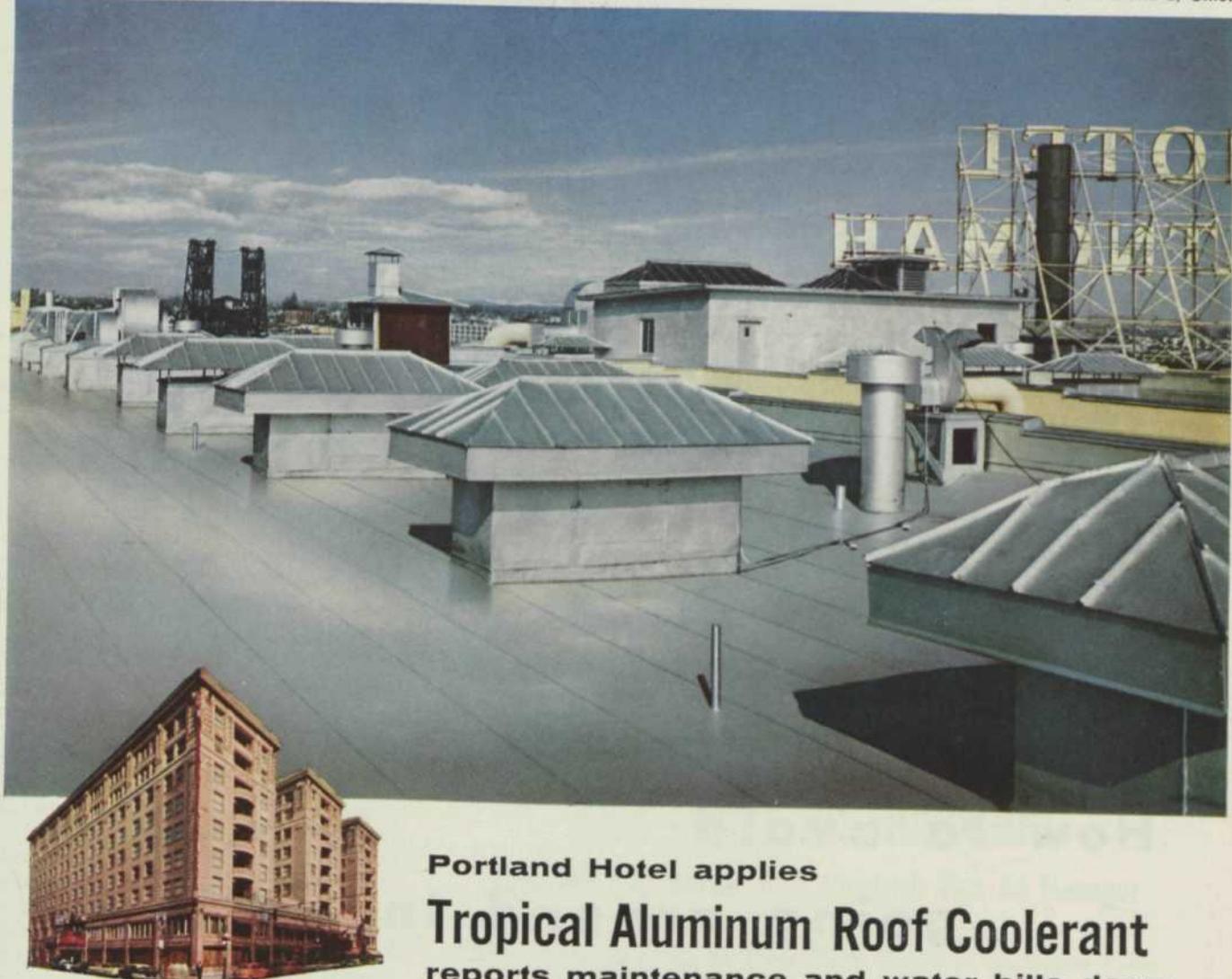
One factor, it has been urged, is the comparative smallness of the unit. It is said that in a small plant or small operation the employees appear to have a closer identification with the front office and, as a result, are not so readily amenable to unionization.

### **Have you seen any change in the attitude of employers?**

There is no question that, gen-

## HOW TO KEEP COOL WITHOUT A SPRINKLER SYSTEM

Upper-floor residents of Hotel Multnomah, Portland, Oregon, are comfortable because this roof has been coated with Coolerant, a special reflective aluminum roof paint manufactured by Tropical Paint Co., Cleveland 2, Ohio.



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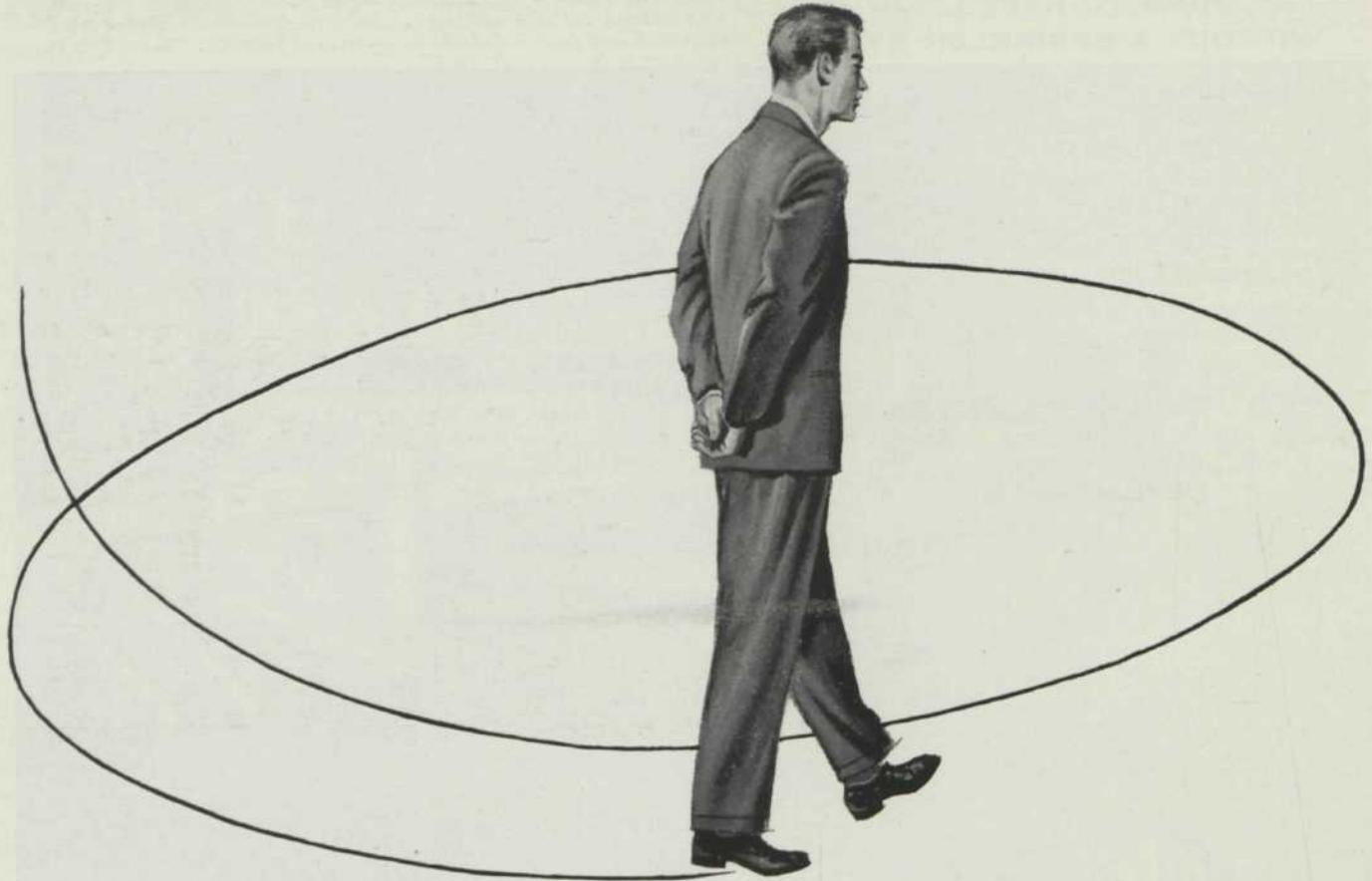
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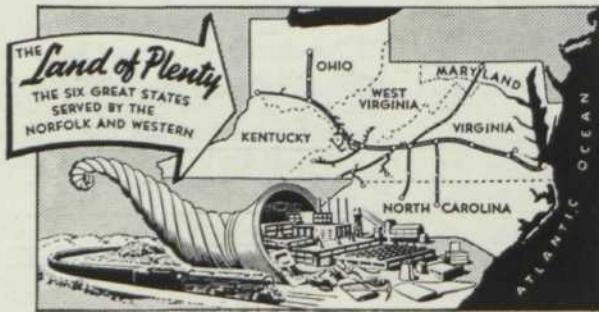
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## LABOR LAWS

continued

erally speaking, the attitude of employers toward organization is different than in the early days of the Wagner Act.

Collective bargaining has wider acceptance, for one thing. Also, employers whose plants are not organized recognize that they are more vulnerable to organization if they do not give wages and working conditions similar to those in union plants.

### **Is the Senate labor-management rackets investigation having an effect on organizing as indicated in elections?**

We have no statistics or records to indicate any such effect. However, it may be that the investigation is slowing up organization in some places.

### **Will you comment on the union charges that the law is antiunion?**

Some union leaders may believe the Taft-Hartley Act is slanted against labor. However, I think the position of many union leaders is the natural result of the imposition of regulations on unions. They, like everyone else in our society, dislike regulation.

The Taft-Hartley Act was the first effort of government to restrict organized labor in its dealings with management. This was almost certain to provoke resistance and criticism, just as the Wagner Act provoked resistance and criticism from management.

### **What about administration of the Act by the Board?**

I think what I have said about organized labor's attitude toward the Act applies equally to the Board. Taft-Hartley restricts labor more than the Wagner Act did. The Board is the instrumentality imposing the restrictions and it provokes all the criticism that labor has of the Act itself. I think most of this criticism is unwarranted.

### **What can you see in management-labor relations for the future?**

Probably uppermost is the activity of the Senate committee investigating rackets. I think this may lead to legislation that will affect our work on the Board.

Notwithstanding the criticism about Taft-Hartley, I think it will be some time before the law is substantially revised.

### **How can the law be improved?**

It is our function to administer



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the law as Congress wrote it, so it might not be appropriate for me to suggest changes, even if I had strong convictions. I think there is always room for improvement.

The Administration has recommended to this Congress specific changes and the President has urged still further changes.

**Will labor's demand for a shorter workweek make any problems for you?**

I don't see that the shorter work-

week creates any basic problem for the Labor Board, but it might raise issues at the bargaining table that would eventually come before the Board.

**What about corrupt union officials?**

We have had cases where there were intimations of corruption in unions and collusion between management and union officials, but that problem is outside the scope of our authority. It, therefore, cannot be a significant factor in our decisions

except to the extent that corruption or collusion interferes with a worker's right either to join or not to join a union.

**You do get involved in excessive union dues and fees?**

Yes, those can create problems which we must decide.

**Might legislation emanating from the rackets investigation give you more authority in this area?**

Conceivably it could. END

## LABOR LAW'S NEW MEANING

# WHAT THE COURTS ARE SAYING:

A FLUID, still shifting situation marks the legal relationship between employer and employee.

The marked changes that have come about in the past 10 years are due not only to federal and state legislation, but also to the ways the laws are being interpreted by the courts and administrative bodies. This is what has been happening:

► Employers seem to be getting more balanced treatment in their relations with labor.

► The area of labor-management bargaining is widening. Certain employer functions which traditionally have been those of management—control of pension, health insurance, stock purchase plans—are being made the mutual responsibility of management and labor.

► The states have lost ground in their bid to control labor relations as such, but they have strengthened their hand in controlling unlawful activities arising out of labor disputes, such as forced union membership and certain kinds of picketing.

► Some troublesome issues in labor-management relations have been settled to a considerable degree. These include the multi-employer lockout, requests for information during bargaining, stock purchase plans, and employer rights to free speech.

Final decisions affecting still other difficult problems are still pending. These involve the so-called hot cargo clauses to get around secondary boycott restrictions, slowdowns, contractual limitations on the strike vote, and federal-state relations.

**Secondary boycotts**

The Taft-Hartley Act presumably outlaws secondary boycotts, but there is considerable question whether it makes hot cargo agreements illegal. Under a hot cargo clause the employer agrees that his employees may refuse to handle goods of another employer whom the union considers unfair.

The National Labor Relations Board says these clauses are not valid. The courts are divided.

In a Carpenters' Union case pend-

ing in the Supreme Court, the union is relying on a hot cargo clause to justify its refusal to handle doors without a union label.

In the transportation industry, the Interstate Commerce Act may provide a basis for coping with hot cargo clauses. An ICC examiner has ruled that common carriers are obliged under their carrier's certificate to deliver goods regardless of hot cargo clauses in contracts. Insistence on contract provisions contrary to this statute, the examiner held, may result in revocation of the certificate.

**Lockouts**

Until recently much confusion existed over the right of unstruck members of a management bargaining group to engage in a temporary lockout when other members of the group were struck in regard to some provision of a master contract.

The NLRB first held such lockouts to be illegal, but was reversed by circuit courts on three different occasions. More recently the Board ruled multi-employer lockouts valid.

It was reversed by a circuit court but upheld by the U. S. Supreme Court in the Buffalo Linen case.

#### Business information

Employers and unions are required to bargain in good faith, but how far does this requirement carry in regard to union requests for employer information? One view is that this is a matter for the NLRB to decide and that refusal to give information may be construed as lack of good faith. Another view is that unions must have such information to bargain intelligently.

The Board has utilized both approaches and the general rule now seems to be that relevant data must be supplied if the union can demonstrate a need for it. Particularly, it has been settled in court that when employers plead inability to meet demands for wage increases, they may be required to produce some evidence to support their position.

Usually, data requested must be specific, pertinent and asked for in advance of bargaining.

On the employer's side: Unions cannot request data simply as a harassment technique; information does not have to be provided in the exact form requested; employers need not alter their methods of record-keeping to suit the union.

The Board has developed its own standards of determining information procedure, which may be summarized this way: If the union can demonstrate a need for the information which outweighs any potential harm to the employer in providing it, the employer will probably have to provide it.

#### Slowdowns

Another good-faith problem involves slowdowns and sporadic strikes during collective bargaining. The NLRB takes the view that such activity is evidence of bad faith on the part of the union, although the Circuit Court of Appeals for the District of Columbia disagreed in a case which has since been dropped.

The question is coming up again in another case before the Board.

#### Strike votes

Does an employer have a right to insist on a contract provision which prohibits strikes unless approved by a majority of all employes, both union and nonunion? NLRB said no in a case involving Borg-Warner, but was reversed by the appeals court. The matter is now before the Supreme Court.

The view of the Board's majority is that this sort of thing would undermine the Taft-Hartley concept of a union being an exclusive bargaining agent. Employers, on the

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## LABOR LAWS

continued

other hand, are being given more leeway in handling hit-and-run, quickie and wildcat strikes. Employers may discharge employees who violate a union contract in this manner.

### Mutual liability

Legal interpretations have developed the rule that employers are liable for antiunion acts of their supervisory agents unless the employer repudiates such acts and shows they did not result from management influence.

Rank and file employees may be held agents of the employer if they are in a preferred position to handle union affairs and if other employees have just cause for considering them management functionaries. If employers encourage or acquiesce in the questionable acts of such employees, they may be liable.

As for the union, emphasis is on whether the wrongful act of the union member is undertaken in the course of his employment. If so, the union is likely to be held liable regardless of whether it specifically authorizes the activity.

In the 1954 BVD case the Board applied a concept of group guilt to all strikers who kept on picketing after unlawful violence had occurred. It denied reinstatement to all of them. The Board was reversed on this position by the courts and now appears to have changed its view. Now only union members actively engaged in unlawful behavior are held vulnerable.

### Free speech

It is now established that neither employer nor union may make a speech to employees on company time within 24 hours of a union representation election. Outside this period, either side may advise employees of their views as to the probable effects of the vote, so long as they make no threats or promises.

As for passing out literature on company property, the Supreme Court has drawn a line between employee and nonemployee distributors. In a parking lot case, the Court said an employer may bar nonemployee distributors except in cases where there is no other reasonable access to the workers—as, for example, at some remote company town. Employee distributors, however, may usually operate on company parking lots.

Still before the Supreme Court is the question whether an employer who lawfully bars distribution of union literature may distribute his

own literature on union matters. The Board held he may.

### Noncommunist affidavits

The Taft-Hartley Act requires filing of noncommunist affidavits before labor organizations can qualify for the protections it extends. In two cases, however, the Supreme Court has ruled that the NLRB has no authority to inquire into the truth or falsity of the affidavits.

In the Mine, Mill & Smelter Workers and the Amalgamated Meat Cutters cases, the court said the Board had no power to deprive a union of its compliance status just because union officers knowingly filed false affidavits. To do so, in the court's view, would be to work an undue hardship on those union members innocent of the matter.

The main remedy for this situation is Department of Justice prosecution under the criminal code.

The Subversive Activities Control Board, however, has a concurrent voice here. If SACB finds that a union is communist dominated, the union may lose its status under Taft-Hartley. Proceedings are pending against two unions.

### Stock purchase plans

With the advent of pension and health insurance plans, the trend has been to widen the areas of divergent interests in collective bargaining. Now plans for the acquisition of company stock by employees have been upheld by the Board and the Supreme Court as proper subjects for bargaining. Under last year's Richfield Oil case they have been included in the bargaining area of "wages and other conditions of employment" when the plans are tied to the employee relationship.

The Richfield plan permits employees to buy stock in ratio to their wages, while the company also makes a contribution. Since such plans are now bargainable, unions may want a voice in how they are set up and run.

Whether stock purchase plans amount to an invasion of management functions may depend on whether they are deferred distribution or current purchase plans. Under the Richfield plan no stock is distributed to anyone still an active employee; the recipient must retire or otherwise be separated from his job to receive it.

Question for the future: Will management eventually be required to guarantee a minimum value on such stock?

### Right-to-work laws

Eighteen states have right-to-work laws. These laws outlaw the union

shop and are specifically recognized by the Taft-Hartley Act as being consistent with that statute. The Supreme Court has upheld them in principle.

The scope of the right-to-work laws, however, has been limited by other Supreme Court decisions. In the Hanson case of 1956, the Supreme Court ruled that a federal statute which specifically authorizes compulsory unionism takes precedence over a state law forbidding it. Thus, Nebraska's law was powerless to override the Railway Labor Act in regard to railroad and airline union shop agreements. Some critics feel the Hanson decision is inconsistent with the other right-to-work cases and will have to be reviewed again in the future.

Meanwhile, the Supreme Court in May this year reversed the Tennessee Supreme Court which had held that Tennessee's right-to-work law permitted the state to enjoin electrical workers from picketing an employer in interstate commerce who refused to employ union labor.

### Federal pre-emption

It has long been established that the NLRB does not have to take jurisdiction of labor disputes in all cases where it might. The Board has generally limited itself to those cases which have a "pronounced impact" on interstate commerce. This left open the question whether states could act in cases where the NLRB declined jurisdiction. Generally, it was assumed the states could act in such situations, although there was no certainty about what law should be applied if they did.

Last March the Supreme Court, in a trio of cases known as the Guss decisions, pre-empted the field of labor relations in favor of the federal government. It did so by ruling that, 1, a state labor board could not take jurisdiction of union charges; 2, a state court does not have jurisdiction over organized picketing; 3, a state court does not have power to enjoin Taft-Hartley Act violators.

The NLRB has since tried to modify its jurisdictional yardsticks so as to cover more territory, but it cannot alone fill the gap created by the Guss decisions. In other words, if the Board does not take a labor dispute, there is no legally established machinery for settling it.

This leaves the problem up to Congress to remedy, and several bills now pending are so designed. One, for instance, would permit the states to act when the NLRB does not. Another would allow the Board (continued on page 91)

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## FOREIGN AID

continued from page 36

in its foil rolling and label printing operation.

Firestone, which hopes to be producing about 100,000 tires a day in October, will employ about 500 Cubans then.

Freeport Sulphur Company's nickel mining operation at the northeast end of the island offers a good example of what American private money is doing. The Freeport project calls for a total outlay of \$119 million, \$75 million of which will be spent in the Cuban phase of the program. The remainder will be spent mostly at a plant near New Orleans, where the Cuban-mined nickel and cobalt will receive its final processing.

For the United States, the Freeport project will mean an increase by about 1959 or 1960 of 17 per cent in this country's supply of scarce and strategic nickel. The company is carrying out the mining with private money and without direct federal aid, except in the form of a guaranteed purchase contract for a certain part of the metal, and a fast tax

granting the company a new industry status, thus automatically giving Freeport partial exemption for 10 years on income, declared capital and dividend taxes, among other things. When and if this exemption is given, a company official said, full construction will begin.

The mining site, at Moa Bay, is in a relatively isolated, jungle area. There the company plans to build a 375 home suburban-type townsite with recreation club, school, hospital, and everything else a small town needs.

Cuban firms have already begun receiving contracts for the work there.

The Santiago firm of Constructor Diamante (Diamond Construction Company) has the \$90,000 job of dredging the bay to make a ship port for loading ore and supplies. Jose Alonzo, also of Santiago, has a \$17,800 contract to build a water tower for the future town. More sub-contracts will come, officials say, as the project continues.

For many years to come, experts say, Cuba will be seeking American investments. Sr. Leopoldo Casas, a director of Banco Nacional de Cuba, the equivalent of our Federal

their subsidiaries located in the country.

American and foreign investments in Cuba are being actively sought by the Cubans. This planning for a favorable legislative climate to attract investments is directed, to a large extent, by Dr. Martinez Sáenz. He bases his plans for Cuba's economic expansion on short-range and long-range objectives.

Aims of the short-range program—counteracting periodic depressions brought by sugar industry—have been met principally through the high world price of sugar. Greater demand has eliminated the huge surplus built up in 1952. The harvest this year, completed around June 1, was about 6.2 million short tons. This means an income of more than \$700 million to the 6 million inhabitants of the island from sugar alone, \$100 million more than last year. The outlook for the next two years for the sugar industry is good, also, Banco Nacional officials report.

It is in the area of the long-range program that American capital figures so prominently. By diversification, of course, is meant attracting new industries. Although this objective has not been realized completely, much progress has been made.

"We have always had sugar, tobacco, cattle," says Sr. Casas, a man who describes himself as an eight-hour veteran of the Spanish-American War. ("I was only 14 at the time and too skinny to carry a gun.") He adds: "As far as industry, we had to make much progress."

Proudly he reports that "in the last five years there has been a great transformation."

To attract industry, the Cuban government offers American investors substantial tax exemptions for new industries. These exemptions range from three to 10 years, and cover such levies as customs duties on importation of machinery, equipment, accessories and raw material, income taxes, dividend taxes, and others.

Also, there are no controls over the flow of foreign exchange. There is a two per cent tax on the export of money out of Cuba, but this, too, is waived for new industries.

Companies not only get tax exemptions, but often receive the joint or partial financial support of the Cuban government and private commercial banks.

Another important agreement for attracting industry is still under consideration. It is a double-tax treaty now being negotiated between the United States and Cuba. Under this agreement, not only would the Cuban subsidiary of an American firm get the benefit of Cuban tax ex-



Sr. Leopoldo Casas, a director of Banco Nacional, predicts American investments will be sought for many years to come

write-off on a percentage of plant cost. Defense planners have long wrestled with the problem of increasing the short nickel supply, and the Freeport operation in Cuba is welcomed by them.

Freeport will employ 2,000 workers when construction gets into full swing. The operating mine will require about 1,200 permanent employees. Approximately 300 Cubans now work in the preconstruction phase. Final negotiations are underway with the Cuban government for

Reserve, was asked how long it might be before Cuba felt the saturation point of American investments had been reached.

He answered, "Not in my time. We have a long way to go."

Dr. Joaquín Martínez Sáenz, president of Banco Nacional, is in favor of American investments. He says, however, he would like to see "more small companies coming to Cuba." Also, he said, it would be better if more American companies would allow Cubans to invest in

emptions, but the parent American firm would be treated, for American tax purposes, as if the exempted taxes had actually been paid. Obviously, such an agreement, if it is reached, will greatly increase the attractiveness of investing in Cuba.

In the field of resources, the U. S. Commerce Department lists four principal assets in Cuba from the standpoint of development. They are people, physical resources, capital resources and generally favorable attitudes toward private initiative.

The U. S. Commerce Department calls the people "reasonably industrious, abstemious, and intelligent, self-respecting, healthy, friendly and alert."

This is borne out by a sun-tanned American mining engineer. "They learn quickly and are willing to work hard," he said.

Agricultural land heads the list of physical resources. Flying over the island, one is impressed immediately by the bright green hillsides and fertile fields. "Few countries have so much good land per unit of population; good land not only in terms of soil fertility but also in terms of level land adapted to the widespread use of farm machinery," the Commerce Department reports.

Despite the fertile land, and the fact that about 70 per cent of the population may be classified as rural, Cuba still has to import about 25 per cent of its food. This is due primarily to the huge reliance on sugar as a crop.

Other agricultural production includes tobacco, traditionally regarded as the second crop of the republic, cattle raising and rice.

Some of the other industries include textiles, rayon fibers, clothing, shoes, beer, rum, alcohol, fertilizer, soft drinks, canned foods, cement, soap, and matches.

Tourism is a very important business to Cuba. In 1956, tourists spent an estimated \$37 million on the island. This was up 20 per cent from 1955, the government reported.

In summing up the benefits of Cuban economic development to Cuba itself as well as to the United States, Dr. Martinez Sáenz said, ". . . the richer Cuba becomes through diversification the more we will be able to buy from the Americans."

He noted that the import pattern might change slightly, but the total effect would be increased purchasing power.

The benefits of having rich neighbors was brought home in another way by Sr. Casas.

He said, "Nobody's ready to become a communist except the man who is hungry."

END



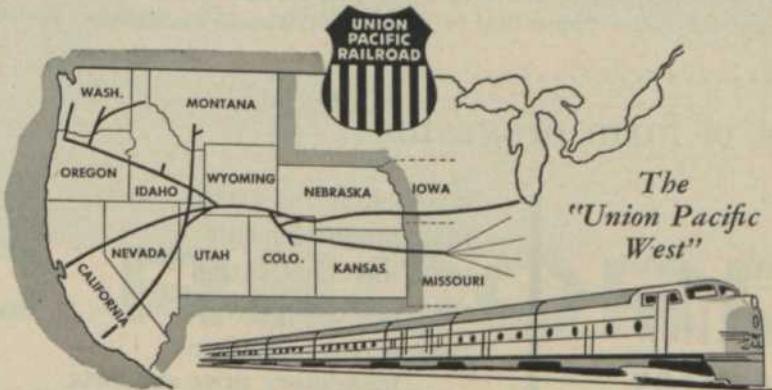
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his approach has always been in terms of the whole economy and society. His appeal to the entire citizenry is, therefore, a political asset that it would be easy to underrate.

### Multiple pricing, domestic allotment approaches

Some version of the multiple pricing approach will get serious consideration and a probable nod in next year's farm legislation. This plan is already authorized for rice as a discretionary power which the Secretary has not used to date.

There are many variations of this approach. Stripped to its elements, this approach has two facets.

First, the domestic human food-use market is rationed to each producer, much as in present acreage allotments, based on his history as a producer, or some similar device. Somewhere along the stream between the producer and consumer a tax would be imposed, to be paid by the consumer. Thus the producer's total price would be made up of his initial receipts from sale of the commodity, and the tax.

Second, the amount of the commodity not used for food would move into exports, feed uses, or industrial uses at competitive market prices, substantially below the domestic food-use price.

Thus the plan is differential pricing of the commodity according to use. The principle is already in use in a modified way, notably in the class pricing of fluid milk and dairy products under the milk marketing agreements and orders in force in the major metropolitan areas.

Prospects are that Congress may approve some version of this plan in the next session. If so, it will have to overcome the bitter opposition of a

substantial part of organized farm leadership.

Assuming its enactment, it will have to clear several hurdles if it is to operate effectively and contribute to the solution of a part of our farm problems.

First, it seems likely to aggravate conflicts between major groups of commodity producers. For example, feed grain producers can hardly be expected to consider the plan ideal if it results in wheat being competitively priced against other feed grains while wheat producers enjoy monopoly pricing at the consumer food-use level.

Second, the plan seems very likely to raise tough policing problems. Enough violations and scandals could develop to give it a permanent black eye.

Third, the advantageous export pricing can be counted upon to intensify present international tensions and to foster a dumping and antidumping battle. This is already serious as a result of the two-price practices that we now follow under the International Wheat Agreement and in our foreign surplus disposal programs.

Fourth, is the public relations problem. The average citizen is likely to ask why he, as a domestic consumer, should pay to give the farmer parity in order for the foreigner to get the commodity at a subsidized bargain.

### Compensatory payments

While probably best known as the "Brannan Plan," the essence of this approach is that commodities are sold into markets for whatever they will bring. The difference between what the farmer receives and parity or a comparable fair price is made up by some kind of payment directly from the Treasury.

This approach is already being employed, with certain qualifica-

tions, in the wool payment program, and in the compensatory payments paid to domestic sugar producers. Some congressional farm leaders have repeatedly pointed to these programs as ideal examples to follow for other commodities. The prospect is that farm legislation will sooner or later—probably soon—include provisions of this type for other commodities. This approach has appeal for two reasons:

It seems to give short-run benefits for a given commodity by sweeping under the bed some of the adjustment problems which outright price supports and production controls seem only to aggravate.

The immediate short-run benefits could blind producers to the serious long-run consequences until it is too late to untangle the snarl.

Will such a plan foster adjustment in agriculture and restore a healthier balance? Two consequences in particular need to be faced. One is the ultimate chagrin, embarrassment and irritation of the farmer as he finds more and more of his net income coming in the form of the direct payments. The other is the inevitable disillusionment farmers will face with the freedom from controls it now dangles before them. In the end government intervention would be inevitable to keep the total costs of the payments program within bounds acceptable to the electorate, and to prevent the progressive depression of the farm price level.

Prospective legislation along such lines can be expected to concede these difficulties to a degree, and to compromise the extremes in the hope that their incidence can be postponed, with the implied or stated promise that "it will give farmers some badly needed help now and we can always patch it up if it doesn't work just right."

In the closing weeks of the current session the congressional agriculture committees held hearings on a number of cotton bills which called for versions of one or the other of the compensatory payments plan and the multiple price approach.

### Alliance of commodity groups

One of the new directions already showing up is the attempt to form a consortium between a wide assortment of commodity producer organizations.

While the experiment is still in a formative stage, some of its spokesmen have said it is an attempt to restore a united front for all producers, whose general farm organizations are alleged to be hopelessly divided.

Its emphasis thus far has been on a commodity-by-commodity approach to farm problems. Observers

## Cost of farm programs

**\$14 BILLION  
1929-1957**

- 1929, marketing arrangements
- 1933, production cuts
- 1936, soil conservation
- 1937, marketing agreements
- 1938, acreage allotments,  
mandatory price supports
- 1954, flexible supports
- 1956, soil bank
- 1958, —?

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## FARM OUTLOOK

*continued*

rate the chances of this combine going somewhere with legislation in 1958 as fairly good, considering how desperate the political situation is likely to be.

Aside from its political prospects, judgment is that such cohesiveness as the group may have is founded on frustration and hope. The commodity-by-commodity talk is a strange and interesting anachronism. Certainly past scholarship and leadership has placed plenty of emphasis on the differences between commodities, their markets and their problems. In fact, many of the present difficulties in farm programs and legislation is due to emphasis on commodity characteristics.

The prospect is, then, that the new alignment will attempt to achieve an effective unity by supporting each other serially and consistently. Practically this seems to portend the birth of several neat package plans, each tailor-made for a commodity, on the assumption that the sum of all these parts will somehow make a good farm program. Whether this approach contributes improvement in the relative position of farmers generally depends on how well all the parts mesh together, and on whether the end results alleviate more problems than they create.

### **Self-help programs**

A substantial number of farm commodity leaders look to this approach as at least a partial solution in the setting of what they believe is a controlled or administered economy.

While there is a degree of producer responsibility and self-help in most of the variations of this approach, the term is deceptive. A common characteristic is the requirement that the commodity organization must have some kind of police power or public authority to enforce the decisions of the group attempting self-help.

Some versions also call for substantial federal contributions for working capital, or to underwrite administrative costs, or both.

In essence the proposals call for governmental protection for the operation of monopoly conditions in production and marketing. Granting an initial legislative establishment, their prospects in improving the health of the farm economy depend on several conditions about which skepticism seems justifiably warranted.

Even in the closed or tightened

market situation contemplated, public acceptance will depend largely on the skill and concern for the public interest with which the programs are conducted. This in turn will depend in part upon the public visibility of the machine at work. Public reaction could easily be unfavorable.

It is also probable that producers themselves will be disillusioned when they discover that this type of program, like so many others, takes away in volume restriction most of what it yields in price improvement.

#### **The outlook**

Whatever tomorrow brings in the form of new legislation and new experiments, the basic problem of balancing farm people, resources, capital and skills will remain.

Actually, adjustment of farm earnings with returns in other lines of business is already under way to a greater degree than most nonfarm people realize. Many farmers have already adjusted their operations so that they are not doing too badly considering the competition they face, some of it unfair. Thousands of farm families have also made the adjustment by turning to other methods of earning a more satisfactory living.

Such adjustments are costly and painful to many farm people beyond what they feel they can tolerate as long as they are encouraged to feel that there is some easier way, through some sort of a government program, to avert or avoid the adjustments.

At one extreme are farmers and leaders who want to stand on bedrock and make their way in a competitive world without their competition aided against them. At the other are farmers and leaders who are convinced that they are too little or too weak to stand alone and that they therefore must have government as a partner.

The pressures from these opposing directions are currently stalemated.

The impasse will not last for long. Political considerations are forcing an urgency that requires somebody to do something.

It is probably expecting too much to look for realistic solutions in or out of Congress at this stage. Taken as a whole, neither Congress, nor farmers, nor the American people in general appear as yet ready for the realism with which most of the farm problems must ultimately be faced.

We seem destined first to learn from hard experience that there are no panaceas. Hence the next farm legislation will probably be for the most part more trials of what not to do and how to get out of it after we get into it.—WALTER B. GARVER

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# ROAD PROGRAM HITS ALL LAND-OWNERS

Buying rights of way will affect competition and land values, cause dislocations. Here are answers you can use

EVERY property owner will be affected by the multi-billion dollar road program, which is expected to buy nearly 2.25 million pieces of land for rights of way.

The land acquisition phase of the immense highway building job probably will cost \$14 billion, or 14 per cent of the \$100 billion it has been estimated that the total program will require—an estimate which rising costs are certain to increase when the Federal Highway Administrator reports to Congress next January.

In the 41,000 mile Interstate System alone, about 650,000 pieces of property will be needed—an amount equal in area to the entire state of Delaware.

Property owners in the path of these new highways will be directly concerned as to when their property will be needed, and how much they will get for it.

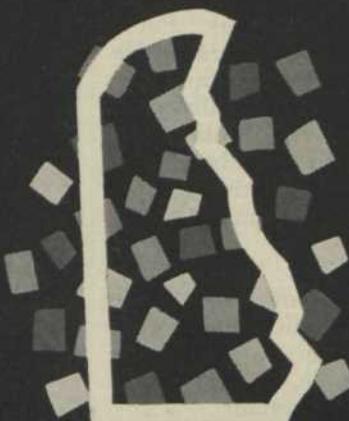
Those not on the routes will feel the effect of so many land transactions on property values generally, and changes in the property tax structures.

All of these people, as well as non-owners of property, also will be affected as highway users. In this role they will pay the greater share of the road costs. They don't want excessive right-of-way prices to increase their tax burdens unnecessarily.

This land buying program is unprecedented in magnitude and in the short time in which it must be accomplished. Construction of the Interstate System is planned for completion in 13 to 15 years. Right of way must be acquired well ahead of construction.

As the program gets under way, and its scope becomes clearer to the people of the thousands of cities and towns to be affected, the problems will become intensified. Intercommunity disputes about whether the new road should go through or around the town

**Q** How much land will be needed for highway program?



**A** Interstate System alone will require about 650,000 pieces of property—an amount equal in area to the entire state of Delaware. Total program will require nearly 2.25 million pieces of land.

will grow hotter. Land values in some areas will pyramid while others may deteriorate. The question of commercial activity adjacent to or along the highway will split the community interests and raise hardship conditions for some merchants; if forced to move, they might create entirely new problems of competition to already established businesses.

Here are some questions and answers that will help businessmen understand some of the nature of the problem and be prepared for developments to come:

#### **Where will the Interstate System be located?**

Seventy-five per cent of the Interstate Highway System is expected to be on new locations. This could mean only several hundred feet or many miles away from the old route. There will be no access to abutting property except at the planned intersections.

Routes are selected by the state highway departments and approved by the U. S. Bureau of Public Roads. Most of this system has been fairly well established so far as control points are concerned, but the pinpointed locations for many miles may not be determined until near the time when the construction plans must be prepared. The best source of information in this regard is the state highway departments. The U. S. Department of Commerce has issued a book showing the "General Location of National Systems of Interstate Highways," available through the Government Printing Office (55¢) in Washington.

#### **How quickly will property be taken?**

Negotiation for right of way is the sixth step in the process of constructing a highway: 1, planning, 2,

gaining approval of local authorities and the public, 3, financing, 4, designing, 5, appraisal of properties, 6, negotiation for property, 7, clearing right of way, and, 8, construction.

In some areas land acquisition is underway; in others much remains to be done.

Property owners will be contacted in plenty of time to permit proper negotiation and to find another business location or home, or to adjust to the present one if not required to move.

**Under what laws can property be taken for a road?**

All states can now obtain land for public highway purposes either through voluntary negotiation in some form, or condemnation by court action. Condemnation is usually avoided. Ninety per cent of highway land is acquired by voluntary negotiation. Title, however, can be obtained in two forms:

1. Through complete title or fee simple.
2. Through an easement.

Purchase or condemnation can be used for either form depending on the state law.

*Fee simple.* Property ownership carries with it many rights: to sell, to hold, to improve, and to devise; the right of passage, access, light, air, view, and many others. If a fee simple title is obtained for property, it carries with it all of these rights, that is, a full and exclusive title to the property.

Only eight states cannot take some form of fee simple title. These states are Alabama, Illinois, Kansas, Missouri, Montana, Pennsylvania, South Dakota and Texas.

Eight states can obtain a fee simple title for expressways only. They are Delaware, Georgia, Iowa, New Hampshire, North Dakota, Utah, Vermont and Washington.

The remaining 32 states and the District of Columbia can take a fee simple title for any highway purpose.

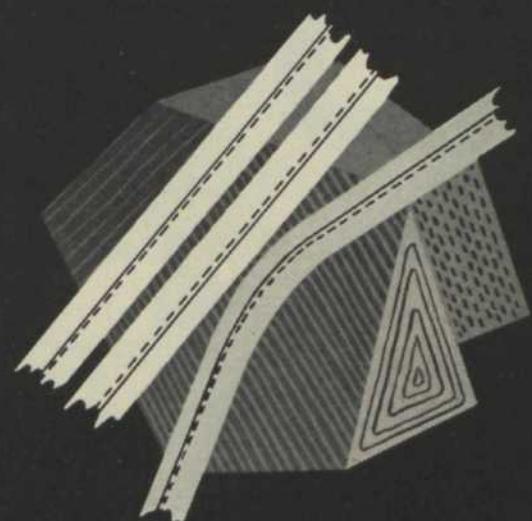
*Easement.* Here a price is paid simply to permit land to be used for highway purposes. A right is obtained to build a road without actually getting full title to the land. So long as it is used for a highway purpose the owner has only limited property rights, although legally he is still liable for property tax upon it. This is usually offset by a reduction in the appraised valuation of the property. If, however, the land is ever abandoned for highway use, it reverts to the property owner.

It is becoming evident that the state, in fact, pays for a fee simple title, although only an easement is actually acquired. States that can acquire land by easement for highway purpose only are: Alabama, Georgia, Illinois, Kansas, Missouri, Montana, North Dakota, Pennsylvania, South Dakota, Texas and Utah. Some of these states can obtain title by fee simple only if an expressway is involved. Some states must acquire an easement for highway right-of-way but a fee simple for other land that is used for public purpose.

**Is there any assurance that the right-of-way department will give due regard to property rights?**

The possibility of injustice is always present but the danger is less today than even a year ago. An

**Q** Where will Interstate System be located?



**A** Seventy-five per cent is expected to be on new locations — several hundred feet or many miles away from the old route

**Q** Will private access from abutting property be permitted?



**A** There will be no access to the Interstate System except at planned intersections. Only one state lacks specific authority to control access



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## ROAD PROGRAM

*continued*

effort is being made to improve right-of-way laws and procedures.

The Federal Highway Act of 1956 necessitated an entirely new appraisal of current land acquisition laws and procedures. The American Association of State Highway Officials appointed a special committee to study the problem. Working with the Bureau of Public Roads, this committee has compiled procedures which the state and other local governmental subdivisions must follow to be eligible for federal aid for highway right of way. Furthermore, federal experts on right of way have been or are being assigned to each Bureau district office to assist state highway departments in the setting up of these procedures and to observe their administration.

These recommendations will lead to better handling of land acquisition at the local level. They do not mean greater federal responsibility in this field. State agents will still appraise the land and if court action is necessary the case will be heard before the local or county court and a jury of local residents.

The 1956 Highway Act permits the federal government to obtain highway right of way and take immediate possession on federal aid systems, but only if the state so requests, on a showing that the state is unable to obtain the property under its own laws and procedures. Highway authorities generally believe that this provision will be little used because of the strong feeling that land acquisition should be a state responsibility.

Although there is every reason to believe that where federal aid is involved land acquisition procedures will be carried on with dispatch, there is need to take a good look at procedures used by public agencies in which federal funds are not involved. It should be kept in mind that the federal aid program is only about half of the total street and highway modernization job. States, counties, and cities will be buying thousands of miles of right-of-way for streets and highways that are not on the federal aid systems. The volume of work that will be required to do an efficient job will stagger a well trained, staffed and organized agency. Some public officials cannot visualize the stupendous task that lies ahead.

**How soon will the authorities take possession?**

Plenty of time will be given to find a new location, or readjust the



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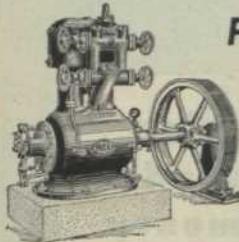
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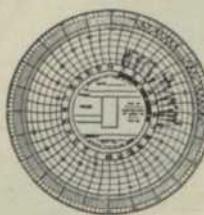
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### ROAD PROGRAM

continued

home or business on the old property if there is no need to move. The time varies from one to five years prior to construction depending on the state and particular project.

Different states use different legal procedures to deal with this:

1. Reservation prior to right-of-way acquisition.
2. Advance acquisition.
3. Immediate possession or declaration of taking.

*Reservation prior to right-of-way acquisition.* Ten states can reserve highway right of way before acquisition. The procedure varies from state to state. In some of these, the state highway officials prepare a plat showing highway right of way that will be needed soon. After this is done a property owner cannot obtain a permit for any improvements within the future right-of-way limits. Some state legislation restricts such advance reservation to a period of not more than one year before negotiations are started toward acquisition. At the time of acquisition, property owners will be paid for property and improvements taken or damaged *prior* to the reservation.

Courts normally will not tolerate an unreasonable use by the state of such authority. A good example was the New York case in which a buyer innocently acquired property only a few days prior to its reservation by the state for highway use. The owner planned to build an apartment on it. Because of the short period of notice the courts ruled against the state, saying that the reservation action was an unconstitutional interference with vested rights of property, and void.

States which have a reservation law are: Arkansas, Delaware, Indiana, Maryland, Michigan, New York, Ohio, Pennsylvania, Washington and Wisconsin.

*Advance acquisition.* When property owners hear that a highway is going to be built, land values often begin to pyramid. Adjacent land is also often affected disproportionately to its true value—in many cases adversely.

Advance acquisition permits a more orderly development of land values and reduces the number of people who will be inconvenienced, discommoded, and sometimes economically hurt. It also may be more economical because there is no pressure to meet a construction deadline, and the period for negotiation is adequate.

Advance acquisition of right of

way is of particular importance to the highway planners. If they know definitely where a highway is going to be for the years to come, they can intelligently plan a co-ordinated street and highway network.

Only 15 states now permit acquisition of land for future highway use by statute—five others have approved this principle by test cases in court. The 15 states are: Arkansas, California, Colorado, Florida, Idaho, Indiana, Louisiana, Maryland, Nebraska, Nevada, New Jersey, New York, North Dakota, Oklahoma, Wisconsin. The five tested in court are: Illinois, Iowa, Kansas, Mississippi and Missouri. Court decisions in two states have failed to sanction highway department efforts to acquire land for future use.

A device which is growing in popularity among the states is a revolving fund for the advance purchase of highway right of way. In this way land can be purchased many years before it is actually needed for construction. The fund is reimbursed at the time the construction is financed.

The Federal Aid Highway Act of 1956 also provides matching funds on any federal aid system for the advance purchase of right of way, so long as the project is placed under contract for construction within five years.

In one midwest city the chamber of commerce purchases land for future highway needs and sells it to the highway officials for what it cost. Funds for the purpose are supplied by local banking firms.

*Immediate possession or declaration of taking.* This has to do with cases where condemnation procedures are being used. Rather than have the construction work held up for six months to a year or longer in court, the highway officials post a bond with the courts in the amount of the appraised valuation (in one state it's twice the amount) of the property being litigated and then proceed with the construction. The work cannot be stopped by an injunction. This provision of law is to circumvent a situation in which 99 percent of the property has been acquired but the whole project is held up because of one per cent.

Most states permit this timely possession. There are a few that do not and some difficulty along this line may be encountered in them. They are: Alabama, Georgia, Idaho, Iowa, Kansas, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, South Carolina, South Dakota, Texas and Vermont.

Even though your state has the immediate possession clause in its law, the state will not arbitrarily



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## **ROAD PROGRAM**

*continued*

throw you out of either your home or your business.

### **How much will be paid for property value?**

One of the major objectives of the right-of-way agents is to assure the property owner a fair price for his property but without either unjust enrichment or loss. Courts generally require current market value to be the measure of just compensation—comparable sales provide a good yardstick for this.

### **Will damages be paid for remaining property?**

Yes. Efforts are made to make sure that the amount paid for the property acquired, plus the damages to the remaining property, plus the fair market value of the property remaining will equal the fair market value of your original holding at the time of its taking.

It should be realized that compensation for damages includes only that for real property.

Such things as loss of business, loss of rent, good will, inconvenience and annoyance factors are noncompensable items.

### **After negotiation how soon will payment be made?**

Usually within the time it normally takes to process a voucher. This could be done within 30 days, would probably not exceed 60 days.

### **Can an offer be turned down?**

Property owners have the right to refuse. In such cases, most states will file condemnation proceedings with the appropriate court. The landowner will be summoned before the court within a short time thereafter to state his case. He can request the court to appoint an impartial board of review, if the state does not do so.

After this board has reviewed the case and reported to the court, there again will be an opportunity to reach settlement in the light of the board's findings. If there still is dissatisfaction, the case will then go to trial by jury. Some states pay the court costs and attorney fees regardless of who wins.

As soon as the state files condemnation proceedings it must also deposit with the court a sum equal to the original appraised valuation of the property. The property owner can appropriate this amount any time during the trial without jeopardizing the amount of settlement.

**If the case goes to court how long will it be before it is settled?**

As a rule it takes from six months to a year or longer to process a condemnation case through the courts, depending principally on the court case load. Property can be taken sooner under the state's powers of eminent domain. If the case is not appealed to the state supreme court, payment is made almost immediately after the court order in condemnation, which is filed at the close of litigation.

### **Will private access be permitted to the Interstate System from the abutting property?**

No. Access to this system will be only at planned intersections, under the provisions of the 1956 Federal Aid Highway Act.

The courts agree that the right of the public in highways is superior to the rights of abutting land owners. They also agree that an abutter is entitled to compensation for the impairment of his access rights if he can show that he suffers injury differing in kind from that suffered by the general public.

Every one of the states except Arizona has either statutory or judicial authority permitting control of access.

Statutory authorities vary from state to state. Some permit control of access only, while others include air, light, view or combinations. Some extend the authority to states and cities but not counties. Some apply only to freeways. Some provide authority to construct frontage roads. Others do not.

### **How is business relocation to be handled?**

Suspension of business even for short periods means hardship for most concerns. This fact is usually considered when business property is needed for highway construction.

In Los Angeles and Denver businesses have been allowed to operate at the old location until the new plant was ready to produce. The new plants were bought from compensation for the old property.

The complaint that a business which is forced to move must locate in an entirely different locality is not necessarily sound. In Houston, Texas, where a freeway dislocated an entire small business community, most of the firms used the compensation received for their property to relocate close to the new highway.

### **How are families relocated?**

State laws vary as to the extent to which families can be helped to relocate because of highway con-

struction. In some cities it is general practice, as good public relations, to provide some forms of assistance as part of the negotiation procedure.

In some states, relocation workers help families to find new homes. Some supply transportation for house hunting; some lend families in financial difficulty money for the first month's rent.

In San Antonio, Texas, a citizen's committee reviews property appraisals. Owners are given five or six months to find new homes.

New York City relocates all families in acceptable new homes.

In Chicago a city agency known as the Housing and Redevelopment Coordinator found homes for 6,896 households in the path of the Congress Street Expressway, and 1,408 households on the line of the Northwest Expressway.

Most states do not provide such help but nearly all allow sufficient time so that families can move without hardship.

**What can a citizen do to make sure property rights are respected?**

The key to your protection is to make sure that your state and local government have sound land acquisition laws, and organization and procedures for their administration. Here are a few questions that you might ask local highway officials:

1. Is the right-of-way division at the same administrative level as other major divisions, such as construction, design, and maintenance?

2. Does the division have an adequate budget and personnel trained in land acquisition work?

3. Have written manuals or instructions been prepared to guide the appraisers and negotiators?

4. Is the administrator familiar with the recommendations for land acquisition approved by the special committee of the American Association of State Highway Officials, and set forth in Policy and Procedure Memorandum 21-4.1 of the Bureau of Public Roads?

5. Are the local land acquisition laws adequate to avoid unnecessary delays in the road program and at the same time provide the utmost respect for the property rights of the individual?

Although there is a great need to complete the highway program as soon and as cheaply as possible, such speed and economy should never permit the property acquisition procedures to disregard the property rights of the individual. Continuing attention should be given to modernizing the land acquisition laws and developing sound administrative procedures.—J. EDWARD JOHNSTON

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# YOU CAN MAKE FIGURES MEAN MORE

Mastery of statistics takes an expert, but these six concepts will help you make decisions and run your business better

EVERY BUSINESS, large or small, can use statistics to improve its operating efficiency. While complete mastery of the subject requires considerable training, experience has shown that an understanding of a few statistical concepts and methods can lead to effective use of statistics in a large proportion of decision-making situations and greatly help the businessman in managing his organization.

These include:

- Percentages or ratios
- Averages
- Measures of variation
- Scientific sampling
- Sampling error and risk
- Measures of association

## Percentages or ratios

Standing by itself, a number frequently has little meaning. For example, of what significance is the number 100 when you merely say "the billing department made 100 errors last month." However, when the figure of 100 errors is examined in relation to the total problem, in this case all possible billing errors,

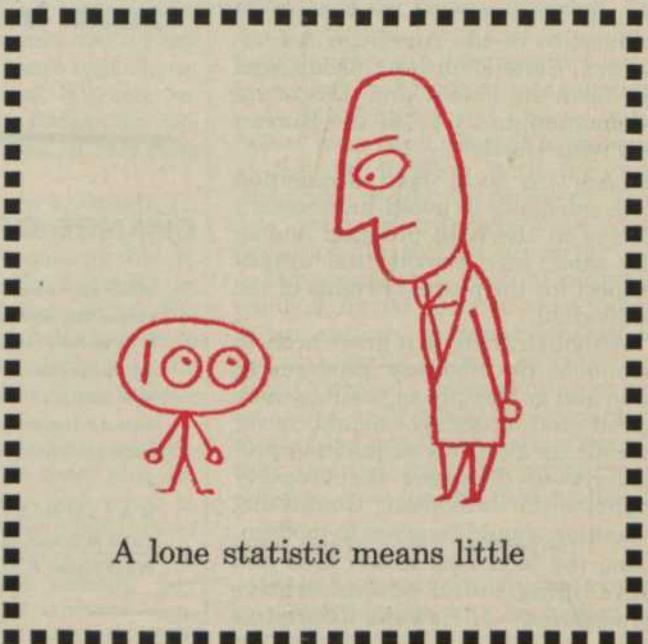
there is a basis for a decision. Thus, 100 errors out of a possible 1,000 errors, a 10 per cent error rate, may be serious; but, 100 errors out of a possible 1 million, a .01 of one per cent error rate, may be insignificant.

An example of the fallacy of looking at a statistic alone is this statement about the relative safety of the home and highway: "The home is a more dangerous place than the automobile on the highway, because more accidents occur at home than on the highway." The fallacy of this conclusion can be readily proved by calculating the ratio of accidents at home to people living in homes as compared with the ratio of accidents on the highway to people who are in automobiles on highways.

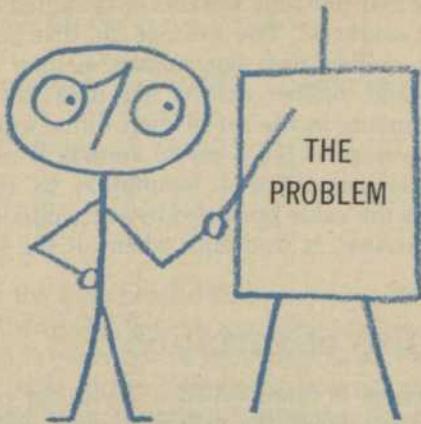
This would show that the percentage of accidents at home is far smaller than on the highways.

**The straight percentage:** Different types of percentages can be computed to serve different uses. One of these is a straight percentage, obtained by dividing one figure representing a part of a process by another figure representing the total process. This percentage indicates whether the part in question is significant, and therefore if the problem is serious or not. A straight percentage for one phenomenon can also be used to compare it with a straight percentage for another phenomenon, to tell which is more important. For instance, in 1955, about six per cent of the families in the U. S. had incomes of \$10,000 or more. This may be compared with 1.4 per cent of the families who were in this income bracket 10 years earlier.

**The percentage concentrate:** Another type of percentage is a small, insignificant percentage of one phenomenon which represents a large, significant percentage of another phenomenon. For example, a large department store had difficulties in its billing department. Even after 100 per cent verification of the filing of charge slips, misfiled slips were causing many customer complaints. Management decided to keep a record of the misfiled slips. A short time later, simple calculations showed that three of the 20 clerks in the office, or 15 per cent of the clerical staff, accounted for nearly 90 per cent of the errors. Additional



A lone statistic means little



A percentage simplifies problem

DRAWINGS BY CHARLES DUNN

training, which made these clerks as efficient as the others, reduced customer complaints to a negligible percentage and also enabled management to substitute a sample check for its former 100 per cent verification of the filing operation, thus reducing costs.

This was an effective use of the percentage concentrate method.

Other examples include: An analysis of sick leave experience in another large department store which showed that two per cent of the employes took more than 20 per cent of the leave. Examination of the work involved in a national bond drive on employees showed that more than 36 per cent of all wage and salary workers could be reached by contacting a tenth of one per cent of all the commercial and industrial firms in the United States, that is, those with more than 1,000 employes.

**Special percentages—index numbers:** To control large business organizations it is useful to construct and interpret index numbers. An index number is a special percentage, or a yardstick, that indicates clearly and simply the extent that a given activity has changed in a certain period. (It may also express in percentage form the relationship between two places or qualities.)

If, for example, company sales averaged \$20,000 a week a year ago and \$40,000 a week in the current year, the index of current year sales in relation to last year's sales would be 200; that is, \$40,000 divided by \$20,000 and multiplied by 100. Index numbers can be constructed for many of the important aspects of the organization's recurring activities, and they become useful in keeping management posted on the extent of the change in them with passage of time.

In summary, when problem areas in a given operation are expressed as percentages of the whole operation, better perspective can be obtained, relatively minor matters discovered and dismissed, and attention concentrated on the relatively important ones. In some instances a small percentage of one phenomenon represents a large percentage of another, and thus a concentration of a problem is uncovered. In other

instances, index numbers can be used effectively to keep track of changes in an activity with the passage of time.

**Cautions in use of percentages:** It should not be assumed that management problems reduced to percentages will always form a basis for a correct decision or be appropriate for each problem. Sometimes percentage figures may be less valuable than absolute figures. For example, in evaluating the market for hearing aids, the number of elderly people living in the different sections of the country is more useful than the percentage of elderly people.

## Averages

L. H. C. Tippett, one of the world's top-notch statisticians, once said: "The average has its limitations but, provided they are recognized, no single statistical quantity is more valuable than the average."

An average is useful in comparing the relative merits of two or more processes, pieces of equipment, or material. There are several different kinds of averages. The most commonly understood and easiest to calculate is the arithmetic average. For example, what is the average age of the children at a birthday party attended by five children aged as follows: 4, 7, 6, 2, and 6? The arithmetic average age is five years; that is, the sum of the ages (25) divided by the number of children (five).

Several months ago an internal report was circulated showing the amount of money each division in a company contributed to a charity drive. This report created the impression that the accounting division was the most generous and the training division was closefisted. In this instance, the accounting division was the largest division in the company while the training division was the smallest. Had the amounts contributed by each division been divided by the respective number of employes in each one, and had the data been presented as average contribution per person in each division, the inference would have been reversed. Thus, one of the important uses of averages is to serve as a basis for meaningful comparisons.

**Setting standards:** Averages also are frequently used in setting standards. The Weather Bureau regularly makes use of averages in reporting temperature and rainfall readings, for example. Calculating the average temperature for a given day based on many temperature readings for that day in previous years, establishes a normal or standard for comparison. Daily readings are then determined as being above or below normal for that day.

In a certain company, 10 machines manufacture giant paper clips. Although all machines are considered to be equally productive, actual performance

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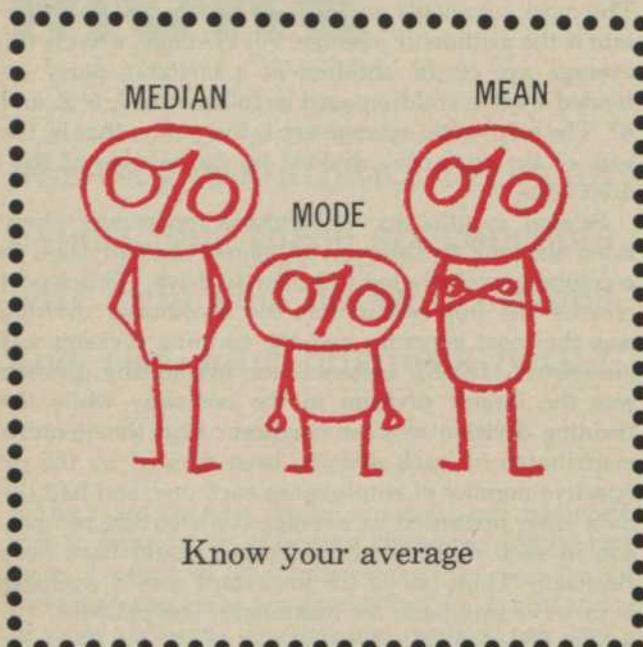
THE AUTHOR, B. J. Mandel, whose book "Statistics for Management" was published recently, is the Chief of the Statistics Branch, Bureau of Old Age and Survivors Insurance, Social Security Administration. The opinions expressed here are his own and aren't necessarily the views of the Social Security Administration.

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shows that some machines prepare 1,000 clips an hour; some 1,200, some 900, and so on. What is an acceptable standard of paper clip production for these machines? An average production figure can be used effectively to calculate such a standard.

**Estimating:** The payroll manager of a company knows the average weekly wages of his 250 employees. How much money would he need on Friday to meet the weekly payroll? The answer can be estimated closely by multiplying the average weekly wage by 250, the number of employees. Similarly, many other totals relating to a given phenomenon can be approximated by multiplying the average by the number of cases it represents.

**Cautions in use of averages:** While the average has many important uses in analyzing management problems, it can be misused and therefore lead to wrong conclusions. An important qualification of the average is that each of the several different kinds of averages is calculated differently and each has a different mean-



ing. The one described here, the arithmetic mean, is the best known and most often used.

Sometimes, however, the average needed in a given situation is a *median*, which is obtained by ranking the values according to size and determining the value at the middle of the ranked listing of all items.

Another average is the *mode*, which is the amount of the most frequently occurring value. In some instances, these three averages may differ from each other substantially. For example, the average family income in 1952 was about \$6,000 if the arithmetic mean is used, \$3,900 if the median is used, and \$3,500 if the mode is used.

Unless the specific type of average used is known, one can be led astray seriously because the difference can often be large.

Another precaution to guard against is calculating an average for just any set of data. An average may be meaningless if the values involved in computing it differ very widely. For example, what is the meaning

of an average annual wage for construction workers which includes the earnings of men as well as women, part-time and full-time workers, and skilled as well as unskilled workers? The average in this case would represent neither men nor women, neither part-time nor full-time, neither skilled nor unskilled workers. If the elements in the set of data differ widely, their over-all average is not a useful statistical measure.

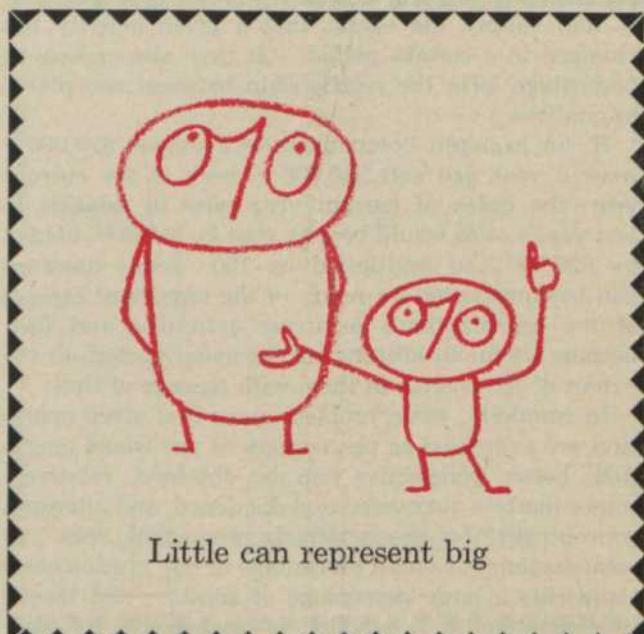
There is sometimes a temptation to regard the average as the value possessed by each individual case. This, of course, is true only when all the values are equal.

## Measures of variation

An average is often called a device for concealing the variation among the different values used to compute it, because the average is expressed as a single figure. Practically all phenomena under management's supervision vary, some to a greater and some to a lesser extent, and courses of action may differ, depending on the extent of the variation involved. More informed management decisions and actions can result both from an appreciation of the existence of variation in all aspects of business, industrial, economic and social life, and from the measurement of the magnitude of variability in different processes.

The policy of detecting significant variations can save a business thousands of dollars, because analysis of the problem areas, with adjustment of them, leads to improved operations and management.

**The average variation:** Variation can be noticed by observing the different values in a set of figures representing an activity; for example, by observing the difference between the highest and lowest values (the range). By this method, however, it is difficult to decide whether the extent of variation is small or large. One statistical method of measuring variation is called the "average variation." This method averages the differences between the original values and their average. For example, what is the average variation in age among the five children who attended the birthday party?



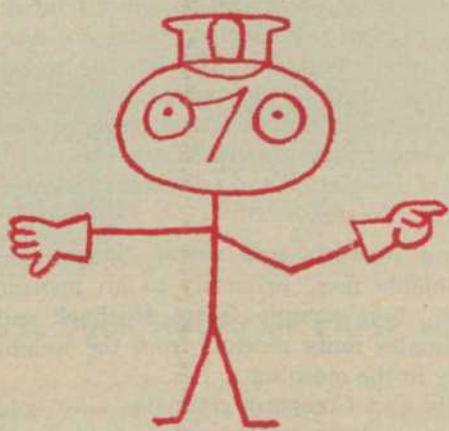
Earlier we found their average age to be five years. Now, to obtain the average variation, we find the difference, or variation, between each child's age and the average for the group. It is:

AVERAGE	AGE	DIFFERENCE
5	4	= 1
5	7	= 2
5	6	= 1
5	2	= 3
5	6	= 1

When the individual differences are added and the sum is divided by five, an average variation of  $8/5$  or 1.6 years, is obtained. The average variation is, therefore, the sum of the differences between the original values and their average, divided by the number of values.

#### Converting an average variation into a percentage:

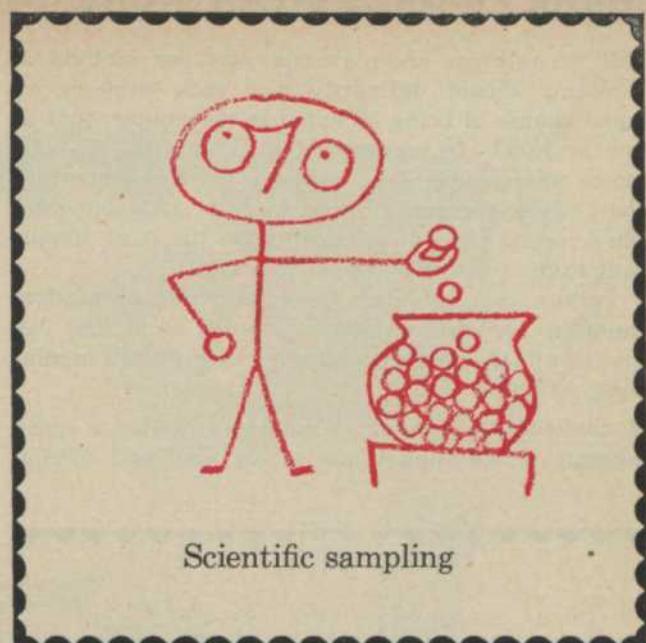
The next step is to determine whether the average variation is large, medium, or small. For example, how large is an average variation of 1.6 years? In



Coefficient of variation

relation to an average of, let us say, 32 years, 1.6 years is only five per cent, a small variation. In relation to the average age of the group of children, five years, it is 1.6 divided by five or 32 per cent. This is a medium amount of variation, just as 32 per cent in general may be considered to be a medium-sized percentage. If the percentage variation around the mean were five per cent or even 10 per cent, we could consider the variability to be small, indicating a uniform or consistent activity; conversely, if the percentage of variation is 40 per cent or 50 per cent or greater, the activity being studied may be considered inconsistent, erratic, or highly variable.

Whenever the average variation around the average of a set of data is converted to a percentage of that average, the resulting percentage is called in statistical language a coefficient of variation. In business, coefficients of variation serve as guides in answering questions on the extent of steadiness, constancy, uni-



Scientific sampling

formity of performance, reliability and stability of man, machine or material. Furthermore, when a coefficient of variation is used, the measure of variation is reduced to a common denominator, a percentage. This makes it possible to compare the stability, uniformity or quality of two or more processes.

**Limitations of the average variation:** The average variation, and the resulting coefficient of variation, are simple measures of variability in processes or activities. A more widely applied and somewhat more complex measure, serving a much larger variety of uses, is called the standard deviation. This statistical measure plays an important role in analyzing quality control problems and making refined analyses of variance, which cannot be done with the average variation.

#### Scientific sampling

Knowledge of sampling principles is important to management, because samples are used in collecting the facts to analyze business problems. A broad understanding of the field of sampling can lead to more complete communication between management and statisticians, both in the initial discussion and formulation of the problem and in the final use of the sample results. A greater understanding of what random sampling may lead to the use of more valid data in decision-making and to a better appreciation of the concepts of confidence and risk in using sample results. This understanding may, in turn, lead to wider use of sampling as a short cut to fact finding with its advantage of economy and efficiency.

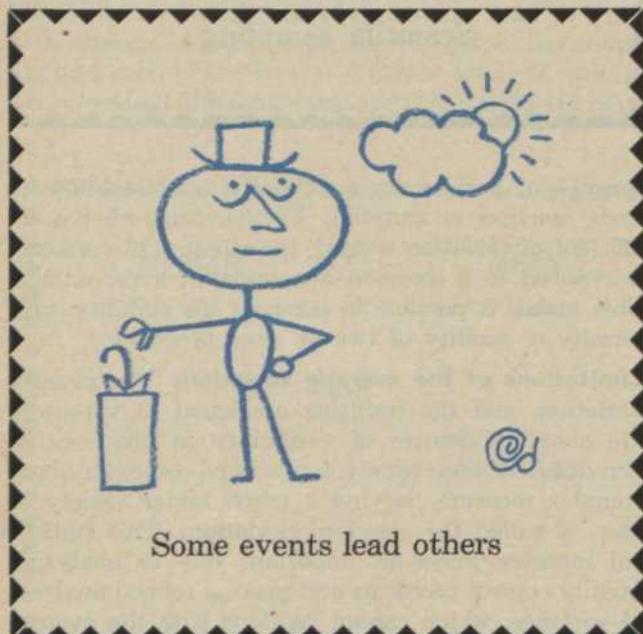
The main ideas underlying the selection of scientific samples are these:

A sample of persons (or items) is scientifically selected if each person (or item) in the population (or process being sampled) is given some chance to enter the sample. In many sampling problems each item must be given an equal chance of selection. In others it is desirable to give some items a better chance of selection than others. For example, when we have a universe (total population) of 1,000 employes and

wish to estimate their average age, our method of sampling should ordinarily give each employee an equal chance of being included in the sample, that is, one in 1,000. In contrast, if in a universe of 1,000 stores we consider some stores to be more important than others (because of differences in size), our sample selection should ordinarily give the more important stores a better chance of selection.

Failure to apply this basic principle of random sampling can lead to invalid results, or at best can give results of unknown accuracy. Some pitfalls in sampling include:

**A convenient sample:** A company needed a quick estimate of its annual cost of air mail and foreign



mail. A sample of the previous day's mail was used to collect the required data and make the estimate for the year. This estimate was meaningless because, being a convenient rather than a random sample, it did not provide a basis for measuring accuracy of the figures.

**An equal-chance sample not always adequate:** A simple (equal-chance) random sample of wholesale and retail stores selling printing supplies was taken by a manufacturer in an effort to get data regarding his anticipated volume of sales. This estimate was subject to a large error because the largest dealers, who are few in number but account for a large proportion of actual sales, were not sufficiently represented by the equal-chance sample.

**Sample too small:** A random sample of about 1,000 children was selected for a test of a children's vaccine. The findings were inconclusive. The sample was much too small to reflect the vaccine's usefulness because only about one in 100,000 children contract the disease the vaccine was intended to prevent.

**Sample too large:** Persons in 5,000 families were interviewed as a random sample in a given city to estimate the average family income in that city. Money and time were wasted because a much smaller sample would have served the purpose almost as well.

## Sampling error and risk

Whenever a sample is used, the results are subject to sampling error or chance error, because reliance is being placed on chance to get a representative picture of the process being sampled. The size of this error can be measured by special sampling-error formulas if the sample is selected scientifically. Even if the magnitude of the sampling error is determined, there is no certainty that it will not be larger. There is always some risk of being wrong.

However, if the sample is selected scientifically, the principles of random sampling provide a basis for knowing the risk of being wrong with the sample estimate. The risk can be stated numerically, such as one in 20 or one in 100 that the estimate is within, say, five per cent of the true value. Therefore, the main advantages of random sampling are: Measuring the amount of error and knowing in numeric terms the risk that the estimate will fall short or exceed the true value of the universe.

## Measures of association

Many phenomena in business, industry and life in general are led by, or depend on, other related events. If the events that lead a given event are discovered, we can develop a basis for predicting the magnitude of the dependent event. This concept of interdependence of certain events introduces the subjects of correlation and regression analysis, which involve the use of measures of association and related statistical methods in making estimates.

**Estimating receipts and sales:** This method has many valuable uses, primarily as an instrument of prediction. For example, Sears, Roebuck and Company estimates daily receipts from the weight of its mail early in the morning.

Eli Lilly and Company estimates sales volume by correlation analysis. After considerable study, the company found that the total sales volume of its industry bears a definite and measurable relationship to consumers' personal disposable income—figures compiled by the U. S. Department of Commerce. On the basis of the Commerce estimates of income, Eli Lilly estimates sales volume with considerable accuracy several months in advance.

Gasoline sales and sales of automobile supplies are estimated from data on automobile registration and miles of highway construction.

Sales of building supplies can be estimated from data on the value of building contracts awarded.

Furniture sales can be estimated from data on the number of new homes purchased.

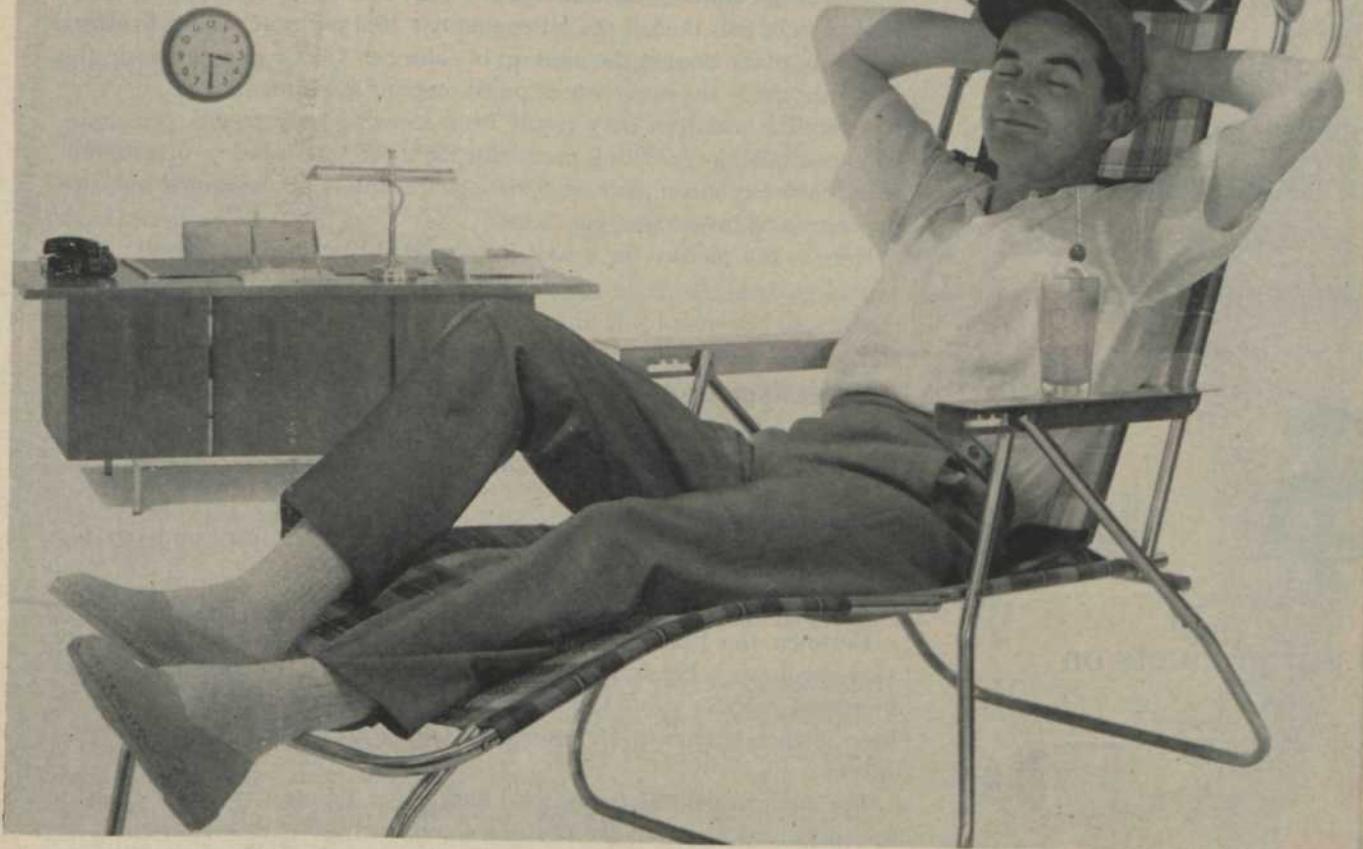
Department store sales can be estimated from data on the national income.

Recently, valuable applications were made of measures of association in the chemical industry. Many other uses can be made of statistical measures of association, from a knowledge of the meaning, methods, and limitations of these measures.

END

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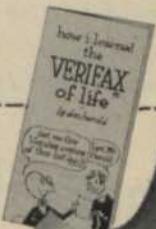
56-8

Name \_\_\_\_\_ Position \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_



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the impression that the oil company makes much more profit. But interjecting the factor of money at work provides a true picture.

For \$1 of money at work the oil company sold \$1.14 worth of product and the drug firm \$2.42, or approximately twice as much.

The drug company's profit as a per cent of sales was 4.8 per cent, approximately half that of the oil company's 10.2 per cent. Since the drug company made double the amount of sales per \$1 of money at work, the two firms made the same rate of profit on their investments.

A similar situation may result from showing only profits per share. This is a quickie yardstick primarily for those interested in investment. It is, however, incomplete and inadequate unless accompanied by sales per share and investment per share.

Here is the picture for a well known, well managed company:

	1940	1956
<b>Net income per share</b>	\$ 4.80	\$ 12.30 or 156% increase
<b>Investment per share</b>	58.00	205.00 or 253% increase
<b>Sales per share</b>	40.00	245.00 or 512% increase
<b>Net income per \$1 of investment</b>	\$0.083	\$0.06 or 28% decrease

Their increased profits per share look well but this company has long been in a growing profit squeeze.

Many news stories and conventional reports tell only a partial story.

Between the lines there is another obscure, little publicized factor that can have a big influence upon future profits. Reports may tell of increased sales or profits, but in many cases the facts show there have been actual decreases in tonnage. The profits came from increased prices.

For such reasons as these, total figures for the economy as a whole or an entire industry usually obscure significant influences. Corporate figures include all types of businesses—the struggling companies in each field, the dying ones, the well managed and also the poorly managed companies.

A clearer picture is shown by what has happened and is happening to individual companies.

Profits per dollar of sales, for example, although they do not provide a true yardstick for comparison of the earnings of different types of businesses, do show a similarity in the relative changes in different types of business.

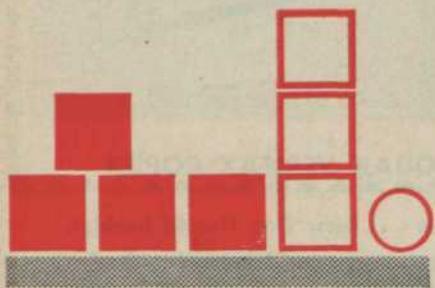
#### PROFITS PER DOLLAR OF SALE

Type of business	Prewar competitive		Relative (Per cent down)
	market 1937-40	1955	
<b>Electrical</b>	\$0.12	\$0.065	-46%
<b>Automobile</b>	.15	.095	-37
<b>Agricultural equipment</b>	.092	.047	-49
<b>Packaged foods</b>	.068	.038	-44
<b>Soaps, cleansers, etc.</b>	.12	.059	-51
<b>Industrial &amp; household products</b>	.12	.058	-52
<b>Drugs &amp; toilet goods</b>	.137	.064	-53
<b>Chemicals</b>	.16	.11	-31
<b>Tires</b>	.05	.036	-28
<b>Building products</b>	.18	.079	-56
<b>Household appliances</b>	.087	.045	-48

In spite of more and better tools and improved methods it now takes a larger share of the sales dollar



to put products on



the shipping floor

PROFITS PER DOLLAR OF SALE (continued)

Type of business	Prewar competitive		Relative change (Per cent down)
	market 1937-40	1955	
<b>House furnishings</b>	.074	.042	-43
<b>Biscuits</b>	.126	.047	-63
<b>Soft drinks</b>	.24	.109	-55
<b>Household medicines</b>	.30	.09	-70
<b>Oil</b>	.15	.11	-27
<b>Tobacco</b>	.09	.045	-50
<b>Cans &amp; containers</b>	.088	.05	-43
<b>Department store</b>	.048	.026	-46

Specific years for individual companies can be questioned as being incomplete, but the year by year charts would document the condition illustrated.

Profit rates dropped sharply from high prewar levels to low points during the war—then trended upward but, in general, did not rise to prewar levels.

As competitive conditions returned, accompanied by rising costs and taxes, profit rates have been declining for a period of years. In general, profit pressures turned upward about 1950.

The condition shown can be checked from published data for any desired companies or industries. Some industries and some companies have been affected more than others.

It will be seen, however, that the drop in total profits in the third quarter of 1956 and the further declines in dollar profits or profit rates for individual companies in the first quarter of 1957 were from levels which were already low or declining.

Another measure of the increasing difficulty in making adequate profit is the low profit upon additional volume. The following are typical of many companies having this difficulty.

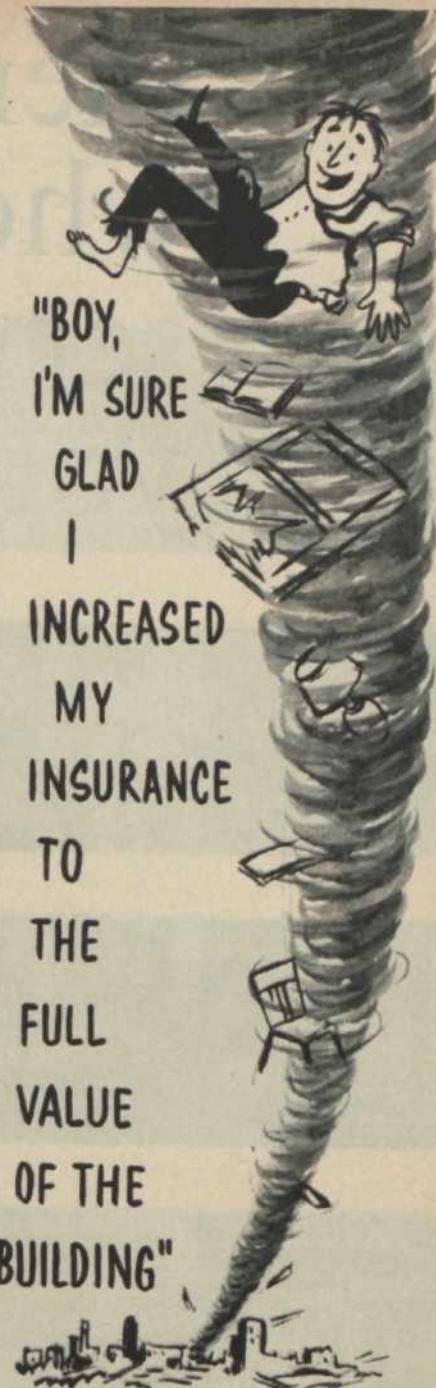
Type of company	Dollar increase		
	Dollar increase in net income—		Profit rate upon added volume
	in sales—'56 over '55	in millions	
<b>Chemical</b>	\$ 94	\$0.4	.42%
<b>Packaged food</b>	11	.16	1.4
<b>Industrial equipment</b>	73	1.40	1.9
<b>Mail order</b>	174	.80	.04
<b>Steel</b>	68	.50	.73
<b>Sporting goods</b>	12	.19	1.60
<b>Dairy</b>	44	.90	2.0
<b>Textiles</b>	43	.28	.6
<b>Airplane</b>	206	5.0	2.4
<b>Electrical</b>	450	17.8	3.9

The squeeze is equally apparent when viewed from the production side.

The war and the postwar shortages of all sorts of products gave a big stimulus to increased mechanization and improved methods. At this time hundreds of millions of dollars were spent upon production research. Billions were invested in new equipment. Expensive machines were replaced by better machines before they were worn out.

From 1940 to 1955 the cost of plant and equipment per job doubled or more than doubled.

(continued on page 80)



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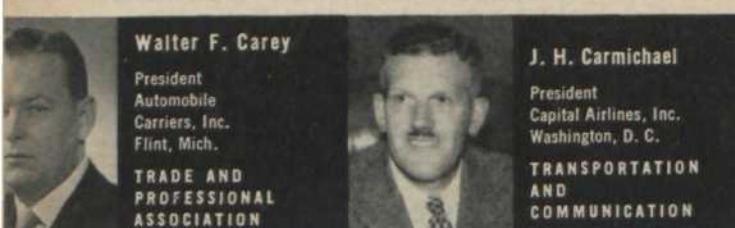
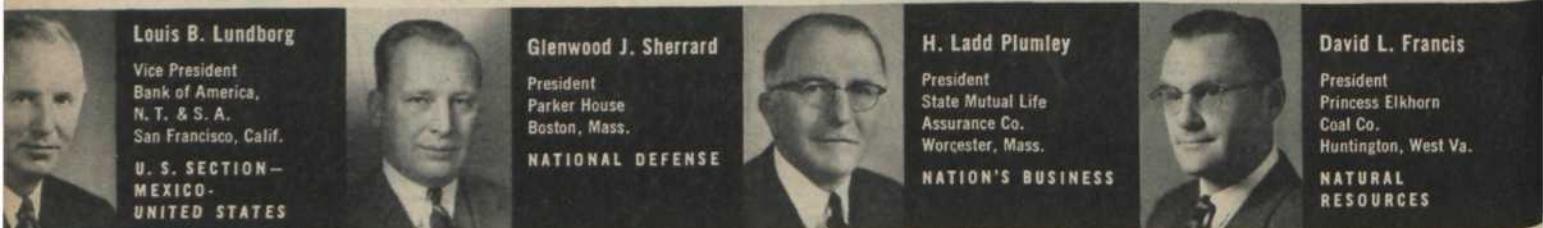
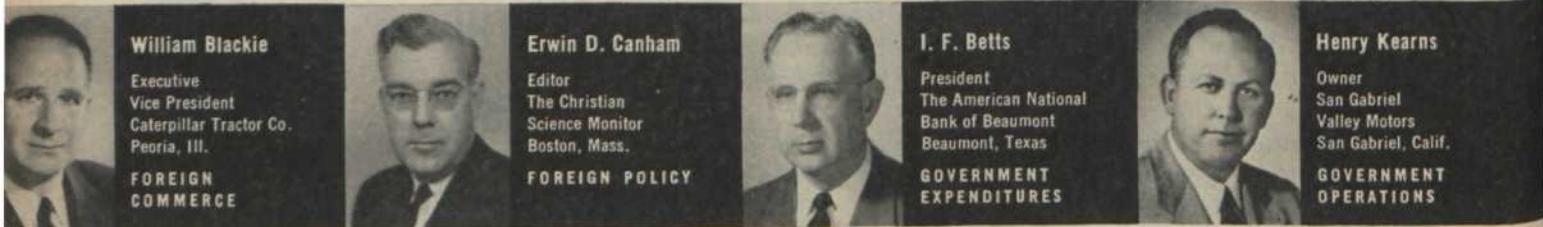
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These men are the Chairmen of the National Chamber's committees for 1957-'58. They personify a total roll call of more than 800 business leaders who serve on Chamber committees.

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## PROFIT SQUEEZE *continued*

In spite of more and better tools and improved methods it now takes a larger share of the sales dollar to put products on the shipping floor. The following companies are representative of their industries:

Type of company	Cost of production		Relative increase in per cent
	per \$1 of sale 1940	1955	
<b>Chemical</b>	\$ .677	\$ .747	10%
<b>Packaged foods</b>	.652	.753	15
<b>Industrial equipment</b>	.621	.676	9
<b>Steel</b>	.727	.755	4
<b>Dairy</b>	.85	.87	2
<b>Packer</b>	.85	.90	6
<b>Tires</b>	.705	.747	6
<b>Electrical</b>	.66	.744	13
<b>Biscuits</b>	.59	.648	10
<b>Soaps, cleansers, etc.</b>	.588	.636	8
<b>Household remedies</b>	.32	.357	12
<b>Soft drink</b>	.322	.427	33
<b>Oil</b>	.50	.616	23

For the entire list of companies checked, costs were up for 80 per cent, were about the same for 10 per cent and down somewhat for 10 per cent.

Some of the declines were for companies whose previous costs had risen above the level for the industry, and their drop in costs merely brought them back in line.

Some hopes were raised by the publicity about automation. It is now realized that automation is primarily a forward step in a long period of mechanization.

It will take time and large investments to apply it. It is not equally applicable to all sizes and types of business.

The rapid increases in mechanization since 1940 have not been able to hold the line against upward pressures of wages and other costs. There is little evidence to indicate that automation will, in the immediate future, substantially reduce the share that production costs take out of the sales dollar.

The profit squeeze multiplies the task of earning an adequate return upon the vastly increased amounts of money at work.

These plants cannot be cut back.

## COST OF PLANT AND EQUIPMENT (IN MILLIONS)

Type of company	1940	1955	Per cent	
			Change	increase
<b>Electrical</b>	\$ 335	\$ 1170	\$ 835	249%
<b>Automobiles</b>	769	4354	3585	466
<b>Foods</b>	55	148	93	169
<b>Industrial &amp; household</b>	48	129	81	169
<b>Chemicals</b>	410	1437	1027	250
<b>Cans &amp; containers</b>	84	277	193	230
<b>Tires</b>	95	277	182	192
<b>Steel</b>	2443	4500	2057	84
<b>Glass</b>	79	182	103	130
<b>Oil</b>	640	2056	1416	221
<b>Grocery chain</b>	50	156	106	212

Most of the increases alone are double or more the total capacity built up in the entire previous lives of these companies.

To earn the same return upon existing investments, in a comparison

between 1940 and today, many companies must now sell six or more times the sales of 1940.

Similar conditions apply to small businesses. Although the illustrations used here are all large companies, the relative increase for many smaller companies is as large or larger. The rate of increase for retailers and service businesses is as large as for manufacturers.

During the same period, a small home bakery business grew into a large bakery, candy and catering business, with an increase in investment from \$7,000 to \$75,000—a delicatessen went from \$9,000 to \$55,000—a service station from \$17,000 to \$85,000, and so on for hundreds of thousands of businesses.

The unpleasant but essential conclusion is that, with higher break-even points and lower profit margins, all sizes and types of businesses are in the position where:

- A minor decrease in volume can make a major decrease in profit.
- Current profit rates do not provide adequate protection.

This narrowing breathing space is less well realized than most other business factors.

Although the examples used here have been in manufacturing, retailers face similar conditions. The price they pay for merchandise and occupancy costs now take a larger share of the sales dollar than formerly. Taxes take more, too. Profits are less.

Of a group of representative retailers:

- Decreases in dollar profits were experienced by 49 per cent.
- Of the 51 per cent that had dollar increases, half experienced decreases in rates of profit.

So that three quarters of the retail group experienced a squeeze in some form.

Of all of the companies in the first quarter of 1957 (exclusive of retailers) 43 per cent had rates of profit under five per cent of sales.

Profit should be measured by the amount of investment required to make the sales rather than the usual practice of reporting profit per dollar of sales. Five per cent of sales, however, is too low for safety for most types of business.

This condition can affect the security of every job, business and the nation. Adequate factors of safety in profit can mean the difference between an individual business or the national economy coming through a halt in growth or a business recession with a few scars and bruises—or a terrific licking.

The negative side has been presented as an essential step toward a more accurate evaluation of profit conditions. It should help to answer the partisan oratory that attacks profits. It may supply the grounds for some thought among managers of business, small as well as large, and of organized labor. The facts show that the shouting about "exorbitant profits" upon the part of those with an axe to grind cannot be substantiated.

But this is not solely a management headache. Much of the constructive action needed is in the lap of government and outside management control.

The weight of taxes, for one thing, is undermining the security of 60 million jobs we now have and the creation of more and better ones.

However, tax revision, automation, plant relocation, are long term corrections. There is a brighter, more immediate side.

In spite of basic pressures affecting all types of business, some companies have been able to maintain or improve their profit positions.

If production costs are tight and rigid, there is a large opportunity in aggressive and efficient marketing—an immediate means of helping to protect profits.

—A. J. GALLAGER  
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## Executive Trends

### How many assistants do you need?

That question is being asked more frequently as executives gather to exchange views. Many management authorities have reached conclusion industry is top-heavy with assistants-to-presidents, assistants-to-assistants. One argues that much of the administrative work of high-salaried aides could be done by a good secretary. ► *Discussion points up fact that secretaries often are overlooked as helpers to effective executive performance. This raises questions as to what secretaries can contribute, how their services can best be employed.*

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### Secretaries let their hair down

NATION'S BUSINESS interviews with some of the country's top business secretaries disclose new trend of thinking on scope and importance of the secretary's job. Key conclusion: Executives generally are beginning to take their secretaries more seriously, are entrusting them with increasing responsibility; selecting them more on the basis of their good judgment than their good looks. Fact is, of course, that secretaries in any firm hold a vital position—due to their close relationship to work of company officials.

► *Secretaries were unanimous in saying their most important duty is protecting the boss' time, keeping his mind free of worry about details by disposing of the details themselves. Most important, they agree, a secretary should be steadfastly loyal to the executive she serves—and to the company.*

### Biggest beef: Boss doesn't communicate

This comes up frequently in talk with secretaries. They say lack of information on boss' plans, commitments, company programs, etc., is biggest headache they face. It confounds their work when boss is away and inquiries must be handled, shunted to other departments. Girls seem eager to learn more about company organization. Some suggest they be included—to a degree at least—in management training programs since they are, in a sense, members of the management team. Most are enthusiastic about continuous training for secretaries—not only in secretarial skills, but in programs that will give them broader grasp of issues in many fields.

► *Spearhead of the movement for advanced training of secretaries is the National Secretaries Association, whose membership includes 17,000 of the nation's 150,000-200,000 topflight secretaries. NSA will sponsor a Liberal Arts Institute for Secretaries in Gull Lake, Mich., next month.*

### Why a shortage of secretaries?

Secretaries say both employers and secretarial job seekers must share the blame for the continuing pinch in secretarial and steno-

graphic help. One secretary says, "Too many executives are looking for well experienced girls aged 18 to 21." Another, placing the blame on the girls themselves, says today's young women lack respect for authority, don't want to assume the responsibilities which come with secretarial work. Feeling is widespread that businessmen should and eventually will have to enlist secretarial help from older women returning to work force after dropping out to marry and raise children.

► *Labor Department's Bureau of Employment Security in Washington says latest figures from states show shortage of secretaries, stenographers and typists is continuing.*

*Stenographers and typists are most in demand.*

#### **Some executives use secretaries as sounding boards**

This comment crops up frequently. Secretaries say their bosses turn to them for clues on what personnel in company hierarchy really think about new programs, orders, policies. This tendency is understandable since secretary, as guardian of the door to the executive suite, is in position to learn much. Here again girls stress importance of protecting secrecy of information to which they are exposed, often before it is revealed to other executives in the organization.

► *Frequent mention is made of temptation to participate in office grapevine or rumor mill. Views of secretaries vary. Most feel they should be tight-lipped, stay out of office gossip. Pressure is strong, especially when secretaries in one firm get together and compare notes.*

#### **Professionalism of secretaries will grow**

That's apparent from clamor of secretaries for additional training, more education. Another indication is the Certified Professional Secretary rating, which goes to secretaries who pass a rigorous two-day test now administered at 54 universities.

Participants are judged on basis of their references and their proficiency in tests covering human relations, business law, secretarial accounting, business administration, stenographic skills, other subjects.

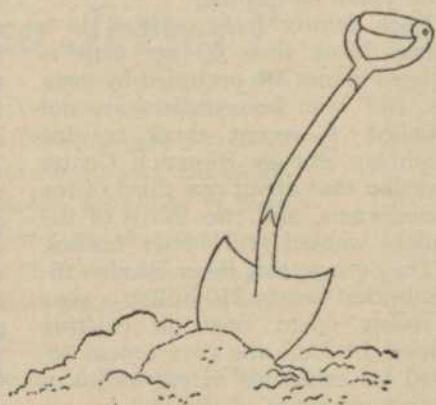
► *Performance of candidates for the CPS rating are judged by Institute for Certifying Secretaries, group established by NSA and comprised of businessmen, secretaries, educators. First CPS test was given in 1951. Only 983 women have earned the rating.*

#### **How to improve your secretary's efficiency**

The secretaries themselves offer some suggestions—drawing from their combined, cumulative experience of many years. First, there's that point about telling your secretary as much as you can, as far ahead as you can. This helps her better to understand your policies. It also will insure that she gives outsiders the kind of answers you want her to give. On the procedural side, it produces smoother results in such things as making hotel reservations, travel arrangements, etc. It's also recommended that you have your secretary groom an understudy, someone who can step in when she's absent because of illness or for other reasons.

► *Secretaries feel attitude of executives is vital in determining ultimate value of a secretary. If you regard a girl as a temporary employee who is only marking time before marriage or another job you will most likely get low-quality work, low interest on her part. But treat her as a mature person, give her responsibility and she'll prove to be one of your most useful and trustworthy aides.*

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## PROSPERITY

continued from page 27

necessary, the ownership of dishwashers, dryers, television and hi-fi equipment becomes more and more to be taken for granted.

Each family feels entitled to a house. More than 60 per cent of today's homes are occupied by owners. But even homeowners are not satisfied. A recent check by the Michigan Survey Research Center revealed that about one third of the homeowners, and two thirds of the renters wanted still better houses.

They are getting them. Studies indicate that nearly \$10 billion a year is being spent now on existing homes. In June the government revised its estimates of expenditures for improvement of existing houses to a figure more than 2.5 times the figure it had previously used for 1956. The two bathroom, three or four bedroom house is now replacing the one bath, two or three bedroom house as the standard to which families are entitled.

This desire for greater diversity as well as better quality and more quantity means of course that competition for the consumer's dollar is getting more acute. If a family already has one or two cars but does not have a motor boat, or has not spent a week in Florida, or does not have two bathrooms, the auto salesman has a much tougher time than he had 30 years ago. The auto salesmen of the '20's were competing much more against other auto salesmen than they are today. They must now compete with plumbers, air conditioner and television salesmen, against travel agents with alluring trips to Europe, South America or California, or against a homebuilder with a two bath, four bedroom house only three blocks from an excellent new school.

Upgrading of consumer standards means diversification, and therefore heavier competition. This is forcing more quality and rewarding originality, as well as efficiency, in production and distribution.

Industry has to learn how to sell a second car, or a second television set. Marketing problems are different, but not insoluble, because the people in general are still willing to buy. A desire for more, but different, goods, rather than satiation, follows increased stocks of goods in the hands of American consumers who are confident of the future.

### Effect on manufacture

This desire for different rather than more of the same goods may require a break-through by many

industries in new materials, designs, and presentation. This may be coming at about the time that new industrial and chemical processes are maturing.

The experimental house now being built by the National Association of Home Builders has a sprayed-on plastic roof. This in itself may not be attractive to buyers, but it may indicate the beginning of the use of new materials and new fashions in this industry.

This new use can soon result in items which will be very marketable and should help expand the housing industry sharply. Similar developments may come even faster in other areas. This may not be important for '57, and possibly not important for '58, but it is a reason for believing the consumer segment will be ready to support another zip to the economy when the designers and producers are ready.

### Effect on merchandising

While the implications of this are important from the standpoint of economic growth and stability, they are important, too, from the standpoint of merchandising. Consumers no longer think in terms of shortages. They do not have to buy whatever is available at the moment from an established distributor through



whom they have done their buying in the past. The average buyer is more careful what he buys, and he will shop around to find the best place in which to buy. Established lines and methods of distribution cannot depend upon tradition. They must constantly re-prove their value to the consumer.

The consumer's freedom of choice not only helps keep manufacturers and distributors on their toes; it helps keep prices down and quality up and helps offset the effects of overpromotion of any one commodity. It may be possible to borrow from future markets for one product but it would be difficult to borrow from the future for all commodities at one time. When consumers indicated that they did not want as many new 1956 cars at 1956 prices as they had wanted 1955 cars at 1955 prices, they indicated at the same time that they wanted more furniture, and more clothing in 1956 than they had bought in 1955, for instance.

Though outlays for autos and au-

to parts dropped by \$2.6 billion from 1955 to 1956, outlays for other purposes rose more than \$14 billion. Total consumer expenditures were reported as being about three per cent higher in 1956, in constant dollars, than in the boom year 1955.

Studies also indicate that consumers may know better how much and when they should buy than they are given credit for knowing. Despite all the promotion in 1955, only a negligible proportion of families bought beyond their means. When prices rose sharply after Korea, consumers withdrew from the market, thus reducing inflationary pressures. Only after the new price level was established and their own incomes had risen to match the new prices did they resume their previous buying patterns.

### Effect on the future

It should be noted that the willingness and ability of consumers to help businessmen flatten out the cycle by refraining somewhat from buying at average rates when prices are rising rapidly depend on confidence in the long-run value of the dollar. The studies suggest that most families, particularly in the middle- and lower-income groups, have kept their confidence in the basic value of the dollar. They know that the cost of living has been rising, and they are annoyed by it. They resent it. But somehow they seem to feel that prices will level out again. Even following the big price rise at the outbreak of the Korean war, consumers kept their faith in the dollar. They cut their purchases back as prices rose. Had they not done so, inflationary pressures would have been sharply augmented and the situation might have become serious.

Should this confidence be weakened, and it has been and is being strained, the implications would be serious. Not only might savings drop, but expenditure patterns might aggravate price rises. If, as prices move upward, people should think this might be the beginning of another serious inflation, they might try to buy everything possible, and thereby force prices up still more. If we are to have a relatively steady rise in prosperity, rather than a series of booms and busts, it may be important that the faith still left in the value of the dollar not be undermined further.

Another aspect of the modern American's use of his income is worth attention. While he wants to increase his standard of living, he also wants to save. He has definite ideas about the importance of saving. If necessary he will curtail spending in order to save for some

goal, such as college for his children, which he cannot reach unless he cuts back.

This is not inconsistent with his willingness to spend. He is willing to spend on the basis of today's, and even tomorrow's, income as long as he can make arrangements for saving at the same time.

There is strong incentive for saving today. Saving is both possible and rewarding. Fifty years ago it was difficult to save enough to maintain a comfortable standard of living after retirement. It was necessary to rely on children or relatives.

Today social security and pension funds provide the basis for retirement. Modest saving may make the difference between a minimum and a comfortable retirement. Homes can be bought with relatively small down payments. The payment required is within reach of enough families to make saving for this purpose seem worth while. Education is coming within the reach of more and more people, and again saving is possible, and worth while.

The studies indicate that installment buying is not reducing saving. Installment purchases are looked upon as a device for paying while using, and as a device which makes it possible to protect savings. Money invested for college, or for retirement, need not be touched when the new car is bought, because the new car can be paid for from income; it need not deplete savings.

These observations are of course general. Some families save to buy cars rather than use installment plans. Others are relatively indifferent to opportunities for saving. But in general, families are interested in saving, and save as high a proportion of their incomes as ever, regardless of installment buying.

The work being done at the University of Michigan, and elsewhere, on consumer habits and consumer motivation is one of the most significant and basic types of research under way today. If, as appears to be the case, consumers want to spend at a relatively steady rate, and to increase their expenditures as their income rises, if they have strong confidence in the future of our economy, and moderate faith in the future of the dollar, then consumers may be becoming another and strong stabilizing force in the economy.

—ROBINSON NEWCOMB

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# STAGE SET FOR SPENDING CUTS

## These guidelines show way to work for continuing federal economies

THE GAINS from this year's federal economy drive are real and apparent.

Without the cuts that have been made, expenditures would have gone even higher than the anticipated \$72 billion for fiscal 1958. The roughly \$4 billion knocked out of the 1958 budget should result in an immediate actual saving of about \$1.2 billion. Unrestricted spending, short of a major national emergency, now seems to have been halted.

The struggle to make cuts and to defend against them has pinpointed numerous areas where excessive expenditures seem probable, and has alerted responsible persons in and out of government to the need for correcting them.

The public in general has been made aware that government spending cannot run unchecked indefinite-

ly any more than a local crime wave can be ignored by a community whose citizens seek security in their daily lives.

Public budgeting, a process little understood by many otherwise informed citizens—businessmen and members of Congress included—is now somewhat better understood than a year ago.

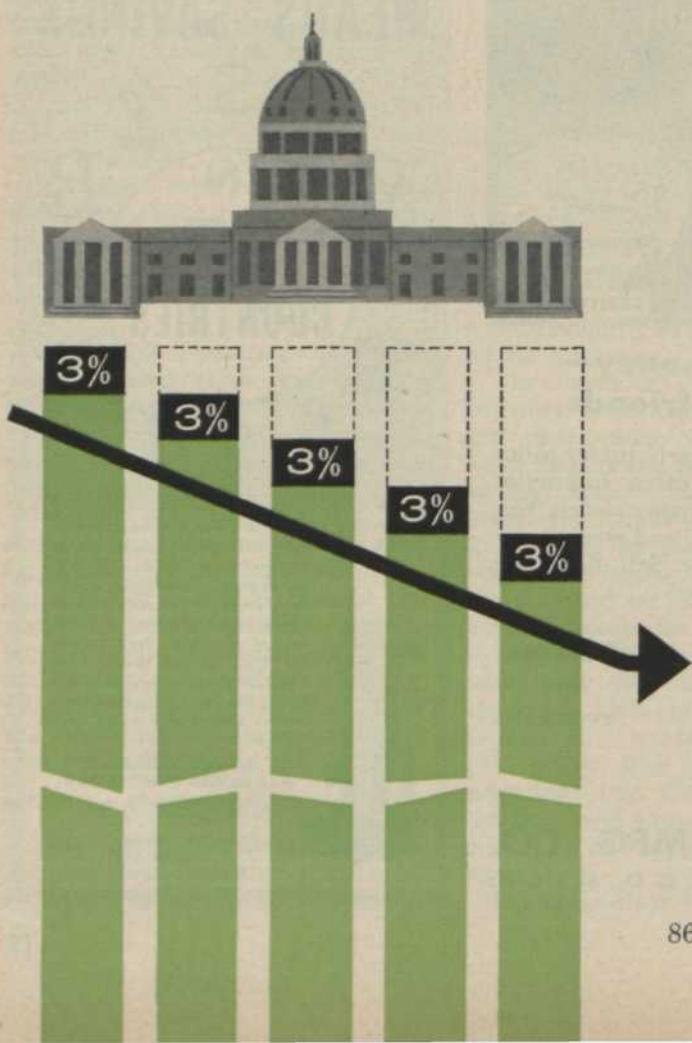
Perhaps most important, we have learned that an appropriation cut is not necessarily an immediate spending cut, that more than half the expenditures in any given budget represent obligations carried forward from previous years or commitments extending into the future. Therefore, we can better appreciate that a long-range approach to budget reformation is the only channel through which government spending can be kept within the bounds of reason.

On balance, then, the economy drive was worth the effort. Most of the task, however, remains to be done over a number of years to come.

Some stock-taking is now in order so that a continuing effort to bring government spending under manageable terms may avoid past mistakes and concentrate on problems needing the most urgent attention.

Several truths appear self-evident as guidelines to future economy action:

1. It is no longer a question as to whether dominant pressures are toward rising government spending, but where and when these pressures will arise and how much they will cost. This means that priority atten-



**Moderate cuts over the years could whittle federal spending to manageable size**

tion should be given to existing programs and policies which require continuing spending, and to proposed laws that would enact new spending programs. Attention should be at all levels of government—federal, state and local. Shifts of responsibility from localities to the federal government, or movements to decentralize federal programs do not in the long run lessen the net government take from the taxpaying public.

2. The budget of the United States, as submitted to Congress, is more than a balance sheet of anticipated receipts and expenditures for a coming fiscal year. It contains the authorization for the various agencies to operate for that fiscal year and establishes the amounts for which they may obligate the Treasury. Accordingly, continuing analysis of government programs is required. Since excessive cuts in any one year can have a severe impact upon the economic health of the nation, often forcing restoration through supplemental or deficiency appropriations later, it is better to think in terms of moderate cuts each year over a period of years. A three per cent cut, for example, each year over a five year period could materially force total government spending into a manageable framework. If emergencies occur during that period, we could at least keep them from throwing spending out of control.

3. Currently, any slowdown in the rate of increase for government spending depends more upon an interruption in the rising cost spiral than on any other factor. To hold military procurement level, in terms of volume, in the past year has required the expenditure of five per cent more money (more than \$2 billion) than in the previous year. The same inflationary pressures prevail for this coming year. This suggests that an initial attack in the struggle against rising government spending must be directed toward control over inflation.

4. In the long run, the most constant pressure for increased spending comes primarily from the unspectacular but steady rise in nondefense items (public welfare, public works, public services), not from military outlays. Actually, military spending, while rising moderately in dollar volume in 1955 and 1956, was a declining proportion of gross national product. The increased bite, in terms of GNP, has come mainly from nondefense spending (federal, state and local). Between 1953 and 1956, inclusive, federal nondefense spending rose 15.3 per cent. The nearly \$28 billion earmarked for nonmilitary items in the 1957 budget represents the highest nonmilitary spending on record. Scheduled to be 2½ per cent higher in 1958, nonmilitary expenditures make the biggest New Deal spending year (\$8.5 billion for all items in 1936) look small, even allowing for the change in the value of the dollar.

Civil benefits alone, which include public welfare, public works and public services, are programmed at \$16.9 billion for 1958 (up \$500 million over 1957, again adjusting for dollar values) and approximate the total of the highest New Deal budget.

Nondefense expenditures, once started, tend to continue year after year. Welfare programs become larger as the average age and the birth rate increase, compounded on top of a steady population growth. New Dealers once regarded \$1 billion as an adequate stabilization fund for agriculture in any given year. It now takes \$5 billion. Government salary scales,

Economy requires vigilance plus self-discipline in demands on government for special treatment, subsidies or service



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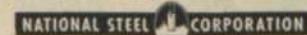
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*continued*

once raised, cannot be reduced except in a severe depression; and government, becoming more and more a competitor with business and industry for competent technical, professional and clerical personnel, faces a continuing responsibility for meeting competitive wage scales.

The House of Representatives, in the midst of its drive on the 1958 budget, took time out to add \$1.25 billion to the borrowing authority of the Federal National Mortgage Association, a net obligation against the Treasury, and thus an increase item on the expenditure side of the budget. This increase later was cut to \$630 million as finally enacted.

Those who would hold government spending down need also to recognize the basic general influences that operate to increase it:

► The new and now accepted international role of the United States as the recognized point of responsibility for leadership of the free world prompts continuing military expenditures at home and abroad, and subsidies for friendly foreign nations for economic and military programs. This leadership responsibility will go on for generations, putting the U. S. Treasury in a position, on a much larger scale, not unlike that of the British Treasury in the cen-

turies when the British Navy ruled the seas.

► Deliveries of new, more powerful, more expensive weapons are increasing. This is a forerunner of the costly process that will see a complete reorganization of the combat striking power of our armed services over the next decade as technological advances move us more and more into the era of push-button warfare.

► The rising wage-price cost spiral increases the sums government as well as industry pays for goods and services. Spiraling costs could add four per cent or more to military spending alone in 1958, assuming a constant volume of procurement, an item capable in itself of automatically negating any annual spending cut of up to \$2 billion. Increased costs in programs representing fixed obligations of the government have to be met by deficiency appropriations toward the end of a fiscal year.

The unemotional appraisal of competent economists, in and out of the government, including the published reports of the staffs of two key congressional committees—the Joint Committee on the Economic Report and the Joint Committee on Internal Revenue Taxation—concludes that increased levels of public spending are certain as long as a rising cost spiral prevails.

► As an Administration stays longer in office it becomes more susceptible

to public demands for welfare, resource and economic development subsidies. The first Republican Administration in 20 years proved it, too, was susceptible to such pressures. The President's 1958 Budget Message, mildly bullish for business, included such recommendations as a one-half per cent increase in GI housing mortgage interest ceilings, hiked lending to small business, expanded domestic mineral exploration, authority to TVA to finance expansion through borrowing, financial aid to partnership power proposals. When and if enacted, these become obligations against the Treasury, and thus budget expenditure items.

► The federal government as a buyer of goods and services, a mere one per cent factor in gross national product in 1929, rose to 41 per cent of GNP in the peak war years of 1944-1945. It has since leveled off at a steady 11.5 per cent to 12 per cent in 1956 and 1957. Meantime, state and local spending for goods and services, seven per cent of the economy in 1929, dropped substantially during the war years, but is now an eight per cent factor and climbing steadily each year. All levels of government combined, as a customer for goods and services, now represent a 20 per cent factor in GNP compared to an eight per cent factor in 1929. The question is: Just how much of this we can dispense with, proportionately, in our economy, and still keep business and standard of living levels where we are accustomed to have them.

From a practical investment standpoint, it is all but impossible to assess accurately the increment to general levels of domestic business prosperity resulting from feedback into the economy by military research and developmental programs. The feedback stems from technological innovations of production processes and industrial end products, as well as increased industrial capacity, military-created, that become an established part of our business community.

► In any given budget year approximately one third of the projected spending total represents appropriations voted in past years. Another one fourth represents fixed obligations of the government, required by statute—interest on public debt, veterans aid programs, grants-in-aid to states. Thus more than one half of the budget is beyond any real degree of control in a given year. This again suggests the need for dealing with budget management on a long term basis.

Analysis of what happened to spending in fiscal 1957 and what is

## Government's rising demands shown in nonmilitary spending estimates

		1957	1958
<b>20%</b>	Office of the President	\$ 10	\$ 12
<b>20%</b>	Atomic Energy Commission	1946	2340
<b>5%</b>	Veterans Administration	4820	5068
<b>17%</b>	General Services Administration	556	654
<b>45%</b>	Agriculture	3661	5330
<b>20%</b>	Commerce	643	772
<b>23%</b>	Health, Education, Welfare	2303	2831
<b>14%</b>	Interior	616	704
<b>8%</b>	Justice	218	235
<b>38%</b>	State	167	230
<b>3%</b>	Treasury	7942	8154

(Figures are for fiscal years and in millions of dollars)

likely to happen in fiscal 1958 also helps to identify the problem. Spending under the 1957 Budget, originally estimated in the President's January, 1956, Budget Message at \$65.9 billion, was nearly \$4 billion higher by the end of the fiscal year on June 30, 1957. This follows a familiar pattern. Fiscal 1956 saw a January, 1955, estimate of \$62.4 billion rise to an actual \$66.5 billion by June 30, 1956. There is no reason to expect that this pressure will be any different in 1958 or in 1959, unless continuing effort is made to restrain unrestricted spending. The combination of 1958 spending authority combined with old obligational authority is estimated at \$143.3 billion by the Bureau of the Budget. The momentum of programs already under way from this authority is much too great to permit effective curtailment by one year's economy drive. Many of the cuts in new obligational authority have the effect of stretch-outs rather than cut-backs. Administrative actions, such as Defense Secretary Wilson's order to restrict overtime payments on military contracts to cut down current expenditures, have the effect of prolonging rather than eliminating specific military procurement obligations.

► Unless the 1958 political year brings about a tax cut, budget surpluses are still to be expected, probably in the neighborhood of \$1 billion, assuming continuation of present rates of increase in personal incomes. Even a moderate tax cut will cost about \$3 billion and would almost certainly bring about a return to deficit financing in 1958 or 1959 unless next year's economy effort is more successful than the one just past. Reduction of both taxes and the public debt are justifiable objectives for those who seek to bring about economy in government. However, any tax relief achieved through budget cutting in any one year cannot long be sustained. Permanent tax relief can be geared only to long term budget management and long term programming for public debt control.

► Economy in government spending must be sought in several directions at once, equal attention being accorded the phenomenal rise taking place at state and local levels, often obscured by the greater publicity accorded the federal budget. Between 1953 and 1956, inclusive, state and local spending increased 32.1 per cent, 50 per cent higher than federal.

From 80 per cent of all government spending in the 1920's, state and local fell to 20 per cent in 1946

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## SPENDING CUTS

continued

and is now back to 33 per cent, heading toward 40 per cent. Spread of growth is evident from the \$12.4 billion spent in 1946 to \$45 billion in 1957, to \$51 billion estimated for 1958, and a conservative guess of \$60 billion by 1960. State and local capital outlays are also increasing. Last November, voters approved \$2.5 billion in new state and municipal bond issues, \$1 billion above the previous high set in 1949. According to a recent U. S. Department of Commerce and Department of Labor study, state and municipal capital outlays, \$70 billion for the last decade through 1956, will go to \$200 billion for the decade through 1966.

Pressures causing higher spending at state and local levels supplement rather than duplicate many of the pressures that push federal spending upward. They include:

*First*, deferred maintenance of plant and equipment still backlog from the war years.

*Second*, the flight to the suburbs which touches off a drive to redevelop run-down urban areas.

*Third*, pressure of population increases in every state from now on,

which add to the burden of community education, police, fire, water, transportation and sewage services.

*Fourth*, the psychological impact of prosperity which sharpens public awareness of the desirability of community expenditures that enhance property values and improve living conditions.

The magnitude of the task confronting a campaign for economy in government thus becomes apparent, and suggests that effective budget management requires long term focus on and understanding of objectives. Most urgent is to re-evaluate the basic programs and laws that result in a continuing obligation upon the government to spend money. This cannot be done a year at a time.

Re-evaluation of the role and function of each program and each unit of our governmental structure seems necessary. Perhaps some long term attention by competent business and government experts will be required on a formal basis, not unlike the productive work on government reorganization that has been accomplished by efforts of the two Hoover Commissions.

In the meantime, the great national organizations of business, professional and labor groups, all of which possess both competent staffs and respected memberships can perform a public conscience role, perhaps somewhat less glamorous, but no less important than that done by the vigilantes of old.

Almost equally urgent is to realize that big governmental spending, while rooted in large part in the social and economic demands of our highly industrialized society, gets its excesses primarily from demands for special treatment. Organized pressure groups contribute much to the processes of democratic government, but also serve as a major channel through which special treatment becomes the principal source of spending excesses.

If we are going to police government spending, we have to begin at home. You don't cut government spending and still get that new post office on Main Street, or expect to get free from your government services you would pay for handsomely if performed by a private agency.

In cutting budgets, members of the Congress play partly for real, partly for the galleries. In both instances they are subject to pressures from constituents for special treatment. Few members, if any, have a 100 per cent record in resisting those pressures. Since reduced government spending, in the final analysis, can only be accomplished by Con-

gress, the fewer the pressures the greater the opportunity for objectivity by legislators in reducing government outlays.

If government spending is to be cut, and we are to be serious about it, belt-tightening may not be enough. Some degree of self-imposed austerity may be required, supported by a continuing wave of individual, group and community morality where special treatment is wanted.

Finally we must realize that effective budget management may not mean that actual dollar outlays from year to year are reduced. It is unrealistic to expect that government purchases of goods and services can be constantly reduced in the face of rising international responsibilities and a tremendous surge of population growth at home. That some years can show a net decrease in actual dollar outlays is not only desirable but to be expected. On the other hand, those budget cutters who gauge the results of their efforts solely on this yardstick will be disappointed.

Effective budget management means reduced public spending over a period of years as a proportion of the national economy. Government spending will rise as the national economy grows. But it can be managed within a framework that restricts its growth to a declining (or at least not increasing) proportion of the national product. Within this framework, as 1954 and 1955 federal budgets have already suggested, there is adequate room for both debt reduction and tax relief.

Whether we like it or not, public budgeting is a major instrument of management over the domestic economy. We cannot understand it too well. The big gain from the 1957 economy drive is that so many learned that they have so much more to learn. On balance, progress has been made, and continuing efforts to achieve economy in government are worth while. In fact, to abandon the effort now is to surrender gains that have been accomplished.

Vigilance on the part of influential citizens, in and out of government, is the basic ingredient required, plus a considerable degree of self-discipline in terms of economic demands upon government for special treatment on services, subsidies and protection.

—H. DEWAYNE KREAGER  
Industrial consultant

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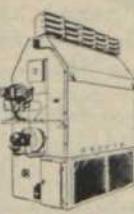
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## LABOR LAWS

continued from page 54

to cede jurisdiction to state labor boards whether or not the state's law is consistent with Taft-Hartley.

### Organizational picketing

Federal pre-emption in the field of employment relations does not prevent the states from keeping the public peace by controlling picketing and violence when necessary. Acts of violence are punishable under Taft-Hartley by denying the striker's right to reinstatement. Strikers are also subject to state penalties, both civil and criminal.

Moreover, the Supreme Court, in the recent Vogt case, specifically sanctioned state control of picketing that is aimed at defeating the public policy of a state. The case grew out of a dispute in Wisconsin, where state law forbids picketing of employers as a means of coercing them to force their employees into a union. The Supreme Court held that states have "wide discretion" under their police powers to prohibit picketing which palpably runs counter to state policy.

Whether or not this ruling extends to the broad category of cases arising in interstate commerce is not presently known, for the Wisconsin incident was purely local and the commerce issue was not raised. It is still uncertain if states can control picketing when their law parallels the Taft-Hartley Act and the NLRB declines jurisdiction.

The trend, however, is clearly toward more legal restrictions on the picket line, and both state and federal courts appear to be abandoning the old view—enunciated by the Supreme Court in 1940—that picketing merits constitutional protection as a form of free speech.

In the Garner case of 1953 the Supreme Court dropped the notion that picketing is a means of "disseminating information" and referred to the practice as an "economic weapon." It was in that case that the court telegraphed its recent Vogt decision. State control of picketing, it said, might be limited when it touched areas governed by the Taft-Hartley Act, but when it ran counter to public policy the court saw little need for protecting the practice.

Note, finally, that the Supreme Court just recently declined to intervene in a Missouri case where the state enjoined a general boycott against nonunion dairies because such acts amounted to an illegal conspiracy under Missouri law.

—PHILIP YEAGER



## We're into everything

Our ambition to make the community a better place to live and work in leads us into some strange byways. Last year, for example, we decided to see what we could do about the employment problem. By the time we were fully into it, we found ourselves recommending and sponsoring trade schools where men and women could be trained in skills for which there were job openings—started out on employment, ended up on education!

But that's the way the C. of C. operates. We see a job that needs doing and follow it up to the limit of our resources and manpower. It's important work, all of it held at the community level. It's done by men like you, merchants, industrialists, bankers, lawyers—fellows who like the place they live in and want to see it grow and prosper. We need your help. Join your Chamber of Commerce and support it with your time and enthusiasm. Remember, when you help your local Chamber of Commerce, you help yourself most of all.

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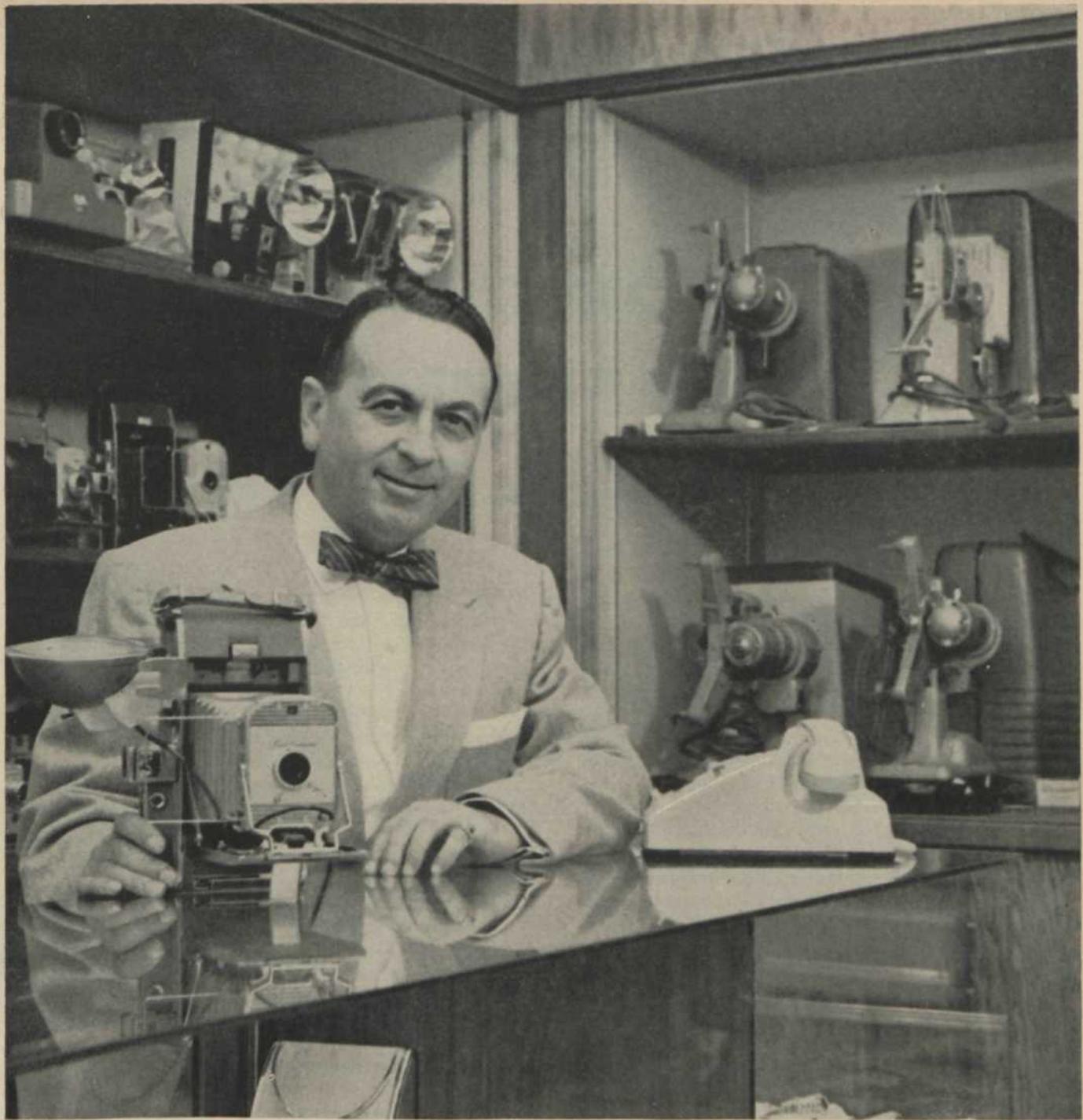
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urges the reader to call the firm collect. Mr. Levin says, "Next to over-the-counter selling, nothing succeeds like a sales talk by telephone."

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# SPENDING FIGHT REAFFIRMS POLITICAL TRUTH

THE DRIVE for government economy has accomplished much.

It has undoubtedly saved some money, although the complexities of federal financing and the possibilities of deficiency appropriations prevent accurate measurements of how much.

But the issue of economy is bigger than dollars. It involves also such intangibles as interest in government and individual responsibility. Renewal of the one has tended to reawaken the other.

Recent discussions of federal spending, with the attendant disclosures of waste and duplication, have reemphasized that this spending comes in considerable measure because the people have been taught to rely on the government for services that the citizens, either as individuals or as groups, might better provide for themselves.

Public disinterest added to the government's aura of omnipotence has tended to becloud the fact that this is a highly inefficient way to get things done.

The budget studies have unveiled this inefficiency. They are prompting a sharper look at the need for government intervention, not only at the federal but at the state and local level as well.

Such scrutiny cannot fail to lower government spending everywhere.

Much government action at any level is based on convention rather than utility as those who take the trouble to investigate quickly find out.

Among the cities that have demonstrated this recently is Tallahassee, state capital of Florida, where shoppers and merchants agreed that the downtown section would disintegrate unless the traffic problem was solved.

The City Commission prepared to purchase a lot

to accommodate 90 cars at a cost of about \$250,000.

Negotiations were halted when a delegation from the Chamber of Commerce asked that free enterprise be given an opportunity to handle the situation in its own way. The Chamber next explained the situation to the National Parking Association. Soon several professional parking facility operators visited Tallahassee to consider possibilities.

The problems were numerous: A private operator had no power of condemnation; he had to negotiate with three different owners to obtain land at a good downtown location; he had to have financing and he had to find merchants who would participate in a validation program.

All these difficulties often add up to municipal operation. Tallahassee got a different answer.

Through private enterprise the city is to have a four-story parking garage for 230 cars—instead of 90—and on the main downtown corner—instead of two blocks away.

It also will save more than \$300,000 in addition to keeping an expensive downtown corner on the tax rolls.

The Tallahassee action is strictly local. It has no actual connection with the federal budget operation. It was not even inspired by the national economy campaign. It did not need to be. In Tallahassee the unwillingness to run to government for help already existed.

But federal problems are only local problems enlarged. Tallahassee's kind of determination can cut federal spending. If the recent economy efforts have done nothing but arouse that kind of determination across the country they will eventually save billions.

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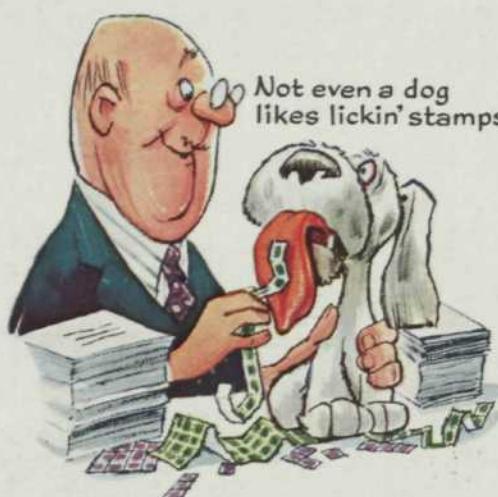
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